

**NOMINATIONS OF TERRENCE R. DUVERNAY, SR.,
JEAN NOLAN AND LAWRENCE SUMMERS**

Y 4. B 22/3: S. HRG. 103-96

Nominations of Terrence R. Duvernay... **HRING**

BEFORE THE

**COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS**

FIRST SESSION

ON

NOMINATIONS OF TERRENCE R. DUVERNAY, SR. TO BE DEPUTY SECRETARY FOR HUD; JEAN NOLAN TO BE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS AT HUD; AND LAWRENCE SUMMERS TO BE TREASURY DEPARTMENT UNDER SECRETARY FOR INTERNATIONAL AFFAIRS

MARCH 26, 1993

Printed for the use of the Committee on Banking, Housing, and Urban Affairs



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SR., TO BE DEPUTY SECRETARY FOR HUD;
JEAN NOLAN, TO BE ASSISTANT SEC-
RETARY FOR PUBLIC AFFAIRS AT HUD;
LAWRENCE SUMMERS, TO BE TREASURY
DEPARTMENT UNDER SECRETARY FOR
INTERNATIONAL AFFAIRS**

FRIDAY, MARCH 26, 1993

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. Let me welcome everyone here this morning, and the committee will come to order.

Today we are here to consider the nominations of Mr. Terrence Duvernay as Deputy Secretary of the U.S. Department of Housing and Urban Development; Ms. Jean Nolan as Assistant Secretary for Public Affairs, also at the Department of Housing and Urban Development; and Mr. Lawrence Summers as Treasury Under Secretary for International Affairs, and we're going to begin with Mr. Duvernay first.

I am very pleased that the President has nominated Mr. Duvernay to this critical position. He is a well-respected, highly experienced national leader within the national housing community. I'm going to defer further comments on him until just a little later.

I have a letter from Senator Nunn in behalf of Mr. Duvernay's nomination. I will not read it now, but I want to ask unanimous consent that Sam Nunn's letter be made a part of the record. It is a very strong supportive letter that makes reference to the outstanding work that Terry Duvernay did in the State of Georgia and it is supportive of his nomination.

Today we have here Senator Coverdell who has come to also speak on behalf of Mr. Duvernay. So, Senator Coverdell, we are pleased to have you and we would like to hear from you now.

OPENING STATEMENT OF SENATOR PAUL COVERDELL

Senator COVERDELL. Thank you, Mr. Chairman. It's a pleasure for me today to introduce to you at least at the moment a fellow

Georgian of exceptional ability and talent. We are proud and honored to present to this committee the name of Terrence Duvernay as Deputy Secretary of Housing and Urban Development.

Mr. Duvernay has an outstanding record in public service and has an exceptional history of serving the people of this country through his progressive positions in HUD and other areas of public administration. The nominee has served in his career at many levels of Government and performed with distinction and merit at each level.

Most recently he directed the Georgia Housing and Finance Authority, which included managing the operations of the State Housing Finance Authority to successfully provide affordable housing to low- and moderate-income citizens. Mr. Duvernay also headed the Michigan State Housing Development Authority in Lansing, Michigan for 8 years before coming to Atlanta.

His many achievements are far too numerous to mention here, but of special note and significance to the Deputy Secretary's position, Mr. Duvernay gained valuable national experience here in Washington when he operated as Deputy Regional Administrator to the U.S. Department of HUD responsible to the States of Idaho, Oregon, Alaska and Washington.

It is clear from Mr. Duvernay's continually advancing service to the U.S. Government and with his experience and skill as an administrator that he is highly qualified and particularly well suited for this next level of responsibility.

I would encourage you, Mr. Chairman and the committee to give favorable consideration to my fellow Georgian, Mr. Duvernay for Deputy Secretary of Housing and Urban Development.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. We appreciate your coming over for those supportive and introductory comments, and they certainly I think enhance the presentation that others have also come forward to make on behalf of Mr. Duvernay.

So we thank you for coming. I know you may have other things to do. So let me invite you to stay or to excuse yourself as you may need to. I'm going to go ahead with some comments of my own, but again we appreciate your appearance here this morning.

Senator COVERDELL. Thank you, Mr. Chairman. I will continue the circus of meetings we've been going through this week. Thank you very much.

The CHAIRMAN. All right. Thank you.

I want to just continue my own introductory remarks with respect to Mr. Duvernay who distinguished himself very much in the State of Michigan. Prior to his current appointment as head of the Georgia Residential Finance Agency Mr. Duvernay served as Executive Director of the Michigan State Housing Development Authority. During this time I had the opportunity to work directly with him and developed a great respect and admiration for his abilities and leadership. I was very encouraged when his name was under consideration and was very interested in being supportive of that consideration at the time.

During the 1980's when the Federal Government's commitment to affordable housing was declining sharply Mr. Duvernay's leader-

ship was instrumental in building capacity among State and local agencies to help fill that void.

His leadership in Michigan at MSHDA was instrumental in making the agency one of the most innovative and respected housing finance agencies in the entire country.

So I want to take this occasion not only to welcome you here but to thank you for that effort and for all of the vigorous leadership you gave during a time of I think great difficulty in terms of accomplishing many of our housing goals. I'm confident that you will bring the same energy and creativity and leadership to this new assignment both in championing affordable housing opportunities and to really lead the effort to revitalize our distressed communities across the country.

Your commitment to public service and building strong communities goes back many long years prior to your service in Michigan and more recently in Georgia. You began your career in Government working with the city of New Orleans. You served as Chief of Staff to HUD Secretary Moon Landrieu during the Carter administration. I was recently with him and he spoke with such affection and appreciation of the work that you did and said to me that he thought perhaps you were the single most able administrator that he had worked with during his time in public service, and I took that to be a great compliment to you.

You also possess significant experience in managing HUD's field staff having served as the Deputy Regional Administrator of the Department's Seattle office and as the Area Manager of the New Orleans office. I think your work on the Federal, State and local levels obviously give you a great insight and working knowledge into the Department's activities.

I want to say, too, that I have appreciated your important contributions over the years to the legislative process. As a member of the Rouse-Maxwell National Housing Tax Force you played a key role in laying the foundation for the Cranston-Gonzalez National Affordable Housing Act. This act was the most significant piece of housing legislation to be enacted in the last 20 years and ushered in a new area of Federal commitment to affordable housing.

You also have continually displayed a commitment to solving the problems facing urban America through your involvement with numerous Commissions, Advisory Boards and Associations, including the National Council of State Housing Agencies, the National Community Development Association, the Mitchell-Danforth Task Force on Low-Income Housing, the Advisory Council on the Federal National Mortgage Corporation, the National Commission on Severely Distressed Public Housing, the National Low-Income Housing Coalition and the National Housing Conference. So it's clear that you've been willing to accept responsibility a number of times in those capacities and others.

Finally, let me just say the Deputy Secretary here is going to play an absolutely critical role in charting new courses to revitalize our distressed communities and, God knows, we've have a lot of them in our country, and also to go about improving the implementation of existing initiatives and very directly reforming the man-

agement of the Department, and we'll talk about that here this morning. I look forward to your comments on those issues.

Let me know before I call on Senator Domenici for any opening comments he may have.

OPENING STATEMENT OF SENATOR PETE V. DOMENICI

Senator DOMENICI. Thank you very much, Mr. Chairman.

I came this morning to meet you and to wish you well in your new job. It's a very tough one. Obviously all of us hope that we can make HUD more efficient and effective and at the same time help more people who need help. So I'm going to be on your side and vote for you. I think you knew that before I arrived.

I would like to tell that I have a concern and maybe you can carry it back with you. The State of New Mexico still has a class C field office. It's rather incredible that our State would be in that position. We have made a plea on a number of occasions that we be upgraded to a class A status.

The Fort Worth office is the decision-maker for New Mexico's HUD programs, mostly those that you're familiar with, public housing, multiple-family housing, et cetera. With the new HOME and HOPE programs HUD is also going to also require that decisions be made in Texas instead of New Mexico, under the current regional situation.

The Secretary is aware of this request. I believe the delegation has asked on a number of occasions, and I wish that you would carry it back today and just ask the good Secretary whom I don't want to bother today. I'll send the message through you. I am asking that you look at it. We would sure appreciate an up-grade to class A happening as soon as possible in New Mexico.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Domenici.

Senator D'AMATO.

OPENING STATEMENT OF SENATOR ALFONSE M. D'AMATO

Senator D'AMATO. Well thank you, Mr. Chairman.

Let me say, Mr. Chairman, I had an opportunity to meet with Mr. Duvernay yesterday. He certainly has an impressive background in the area of housing. He knows that the tasks that lay ahead are very, very formidable in terms of management and basic HUD policies.

I certainly wish him the best. It may be the most difficult job at the Agency, and the person who runs it on a day-in and day-out basis, particularly with the fact that there are so many numerous problems that currently exist at HUD. It's going to be tough to handle the ongoing day to day operation of the Department while working to expend the backlogged modernization and CDBG funds in a timely manner.

Mr. Duvernay, I am pleased to see your qualifications and the terrific support that you bring from so many people who have worked with you and who wish you good luck. We hope we can be cooperative. I certainly hope you call them as you see them. You're working in a tough, tough area, and you're going to have more people after you, all your old friends, and you're going to have lots of

new friends too. I would suggest you forget the old ones and the new ones because you can only get in lots of trouble.

[Laughter.]

Call them the way you see them and do the right thing, and your record will continue to reflect as it has in the past; an exemplary manner in terms of public service.

The CHAIRMAN. Thank you, Senator D'Amato.

I might say to you and to Senator Domenici that just prior to your coming Senator Coverdell came and appeared this morning and spoke very strongly in behalf of Mr. Duvernay. Sam Nunn also sent the committee a very supportive letter, and from my experience directly with him in the State of Michigan I can tell you I'm convinced this is a four-star selection. I don't know that there is a person in the country better equipped at this point to do this job than Mr. Duvernay. So I'm pleased that he has been asked to take it on.

We have I know a number of people I happen to see in the hallway that have come in from Michigan who worked with you there just to be here in support of you today. Could I have them raise their hands.

[Show of hands.]

You've got a group here. Do you have some from Georgia? Are there some Georgia people here, too?

You had the two that counted with Senator Coverdell and Sam Nunn.

[Laughter.]

I'm going to administer the oath to you now. If you would stand and raise your right hand.

[Mr. Duvernay stands and raises his right hand.]

Whereupon, Terrence R. Duvernay, Sr., was administered the oath by Chairman Riegle as follows:

The CHAIRMAN. Do you swear and affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth so help you God?

Mr. DUVERNAY. I do.

The CHAIRMAN. Do you agree to appear and testify before any duly constituted committees of the Senate?

Mr. DUVERNAY. I do.

The CHAIRMAN. Very good. Let me now invite you to introduce anybody that you may have with you and then go ahead and make your opening statement. We would like to hear from you now.

STATEMENT OF TERRENCE R. DUVERNAY, SR., DEPUTY SECRETARY DESIGNATE FOR HUD

Mr. DUVERNAY. Thank you very much, Senator Riegle.

There are in the audience many of my wonderful friends, those who have come from Michigan who I thank, and those who I know from Washington who I have worked with over the years. Without attempting to do so by name, I thank them all.

I also thank you, Senator Riegle, for your comments, and I thank you for your support over the years in working together for the people of the State of Michigan. I think we've tried to provide affordable housing. It has been a hard task, but one that with your support we have some success.

Senator D'Amato, thank you very much for your comments. I will call them, sir, as I see them and try to bring to the Department of HUD the spirit of public service that I have in the past.

Senator Domenici, thank you very much for your kind words, sir, and I will take back to the Secretary your message and make sure that I work with him on the question that you've raised.

Chairman Riegle, Senator D'Amato and Senator Domenici, thank you very much for allowing me the opportunity to appear before you today.

I want also to thank Senator Coverdell who so graciously appeared before you to support my nomination. The Senator was elected recently from Georgia, and we come back to Washington about the same time. I look forward to working with him and to also talking with him as we both go back and forth to Georgia.

I also thank Senator Nunn for his kind words and will so express them to him.

I pledge to you, Senators, my total commitment to cooperation, responsiveness and information sharing as we carry out our respective roles in finding ways to fulfill the American dream for people in need of affordable housing and decent communities in which to live. I further pledge to work with this Congress to craft policies and jointly address problems.

I need to pause to say thanks to my wife Alma, my daughter Danielle and my son Terrence who, while not here with me, constantly inspire me with their love and support, to my sister Beverly, who as my guiding hand provides me with wisdom and love, and my parents Edna and Andrew, while gone from this earth, are always with me. They started me on the road to today. It was their love and their nurturing ability to raise me in a New Orleans ghetto, guide me in my rise out of that ghetto and to teach me and to implore me to never, ever forget from whence I came.

I come before you today as a result of their teachings and as a result of a combination of life experiences, education and a professional life which has been dedicated to public service. That dedication has allowed me service at the nonprofit community based level, the local, State and Federal level.

In my Federal service I have worked at the local, regional and national levels. Growing up in New Orleans in an inner-city neighborhood and witnessing firsthand what poverty, decay and lack of decent affordable housing can do to human will, I committed then to learn what I could educationally and to go back and do something about the problem.

In college, undergraduate and graduate, I studied sociology so that I could understand how groups of people affected and were affected by society. My desire to work with young students in the Neighborhood Youth Corps Program to help them acquire job skills and enough money to stay in school taught me that there is reason to hope and that we can help kids become productive adults.

My first job with the city of New Orleans was with the Model Cities Program. That experience which allowed me to work in the very neighborhood that first inspired me toward my career of service taught me that planning, particularly bottoms up planning, followed by effective implementation could make a difference in the

quality of life of neighborhoods such as the neighborhood of my birth.

As Assistant Chief Administrative Officer and Chief Administrative Officer of the city of New Orleans I learned that you must face hard decisions of budgeting and resource allocation and personnel management in an environment of declining resources and still make things work. You must deliver police and fire services, pick up the garbage, provide health related services, social services, and do so in a fair way.

In my first service at HUD I learned the Department in the field at the area and regional levels and the central office and I arrived at a perspective of HUD that arguably few others share. I learned from that experience the inter-relatedness of things and the need to ensure coordination at all levels to be effective in what the Department does.

My work for the Michigan State Housing Development Authority and the Georgia Housing and Finance Authority taught me that there are ways to contribute to housing solutions in new creative ways with new partners and innovative approaches to problems and do so in entrepreneurial ways.

It further allowed me to work with nonprofit and community based organizations and learn how key they are to the solutions needed to better house our people. In each of the circumstances I reiterated my commitment to serve those in need and by doing so to make the whole of which they are a part better.

I have had the pleasure of working for a Mayor, Moon Landrieu, two HUD Secretaries, Patricia Roberts Harris and Moon Landrieu and two Governors, James Blanchard of Michigan and Zell Miller of Georgia. I have learned from all of them and owe a debt of gratitude for their confidence and support.

I want to thank President Clinton for his decision to nominate me for this appointment. The administration he is fashioning once again makes the possibility of working for the Federal Government inspiring. I feel a sense of calling to be a part of something that will make a difference in the life of people and the health and well being of this country.

I want to thank Secretary Cisneros for his faith in me. Having come to know the Secretary and watched him at work and witnessed his energy, his creativity, his ability to inspire people to believe that HUD can work, that HUD can make a difference, be a powerful force in the building of houses and the rebuilding of communities has rekindled the belief of many, including me, that this is the place to be at this time.

I look forward to working with Henry following his lead and working shoulder to shoulder with him. To quote Secretary Cisneros in his opening statement to you:

The Department should expand participation to other stakeholders, listen to their voices and encourage everyone, Federal, State and local participants to focus their energies on results.

We must, as he said in his confirmation hearings, replace a "gotcha" mentality driven by regulations with a problem-solving spirit. We must reestablish HUD as an enabler, partner and agent of change.

If I might digress for a moment from the Secretary's comments and say that embodied in those comments is an understanding gained after review of studies particularly by the GAO and IG that HUD has enormous management problems. These must be addressed and resolved if HUD is to be established in the manner described by the Secretary.

We will not be able to make a difference in housing and community development if we cannot repair the financial and information systems integral to delivering the services we must and be assured that the scarce resources are used efficiently, effectively and with full accountability.

The Secretary closed his comments by saying that those are the principal challenges of the Department as I see them and they define our task and our mission in the years ahead.

Senators that is the HUD I would like to sign on with. These are the principles I share and this is a Secretary with whom I would love to work. If you vote to confirm me after these hearings, I will gladly take my place in facing the challenges that are before us.

My life and career dedicated as it has been to public service has been a rewarding one. I think that I made what was for me the right choice, and with your support I can find yet another way to fulfill that commitment made in my youth.

Again, thank you for the opportunity, and I would be very pleased to answer any questions you might have.

Thank you.

The CHAIRMAN. Thank you very much for a very fine statement, and I want to comment on it and take you through it in a second.

I want to first call on Senator D'Amato to acknowledge some people here in the room.

Senator D'AMATO. Well, Mr. Duvernay, I think we have more people from my home town of Long Island here than you do from Michigan.

[Laughter.]

Let me see now, we saw the hands of those from Michigan. Would all those from Long Island raise their hands.

[Show of hands.]

Look at that.

[Laughter.]

So now you've got a special responsibility to meet the needs of all our people.

[Laughter.]

Otherwise they're going to say, Senator, we were there for Mr. Duvernay's nomination hearing for Deputy Under Secretary of HUD, which for their benefit is a very, very important position. It is the position that runs the Department of Housing and Urban Development on a day-to-day basis. He's the guy that gets all the brick and mortar together and very little of the credit, you know. Anything good, why the Secretary he steps forward. And if things are not too good, well let me call Duvernay.

[Laughter.]

Those Long Islanders are students at Post College where I teach a class on critical issues. They all love me because I'm a easy grader.

[Laughter.]

So they're here to spend a day in Washington to see the operations as they are, and I'm happy to welcome the class and faculty and some of their guests to be here.

The CHAIRMAN. I'm going to, if I may, just exercise momentarily a prerogative of the Chair. We don't normally do this, but we probably should, and this is a totally unrehearsed digression.

We heard from Senator Coverdell who was kind enough to come and speak in your behalf and I think it's very significant that he did.

I would like to ask the woman in the second seat back on the aisle who is looking at me right now, would you just come on up and just take a seat beside Terry for a minute. Just come on up for a minute. You've come in from Baldwin in northern Michigan today to be here. We happened to see each other in the hallway, and I know you're very much involved in housing and community development.

Just take a minute or two and tell us what your understanding is of Terry Duvernay and why you've come all that way today to be here and what we need to know about him in terms of why he is suited to this job.

**MARY TRUCKS, COMMUNITY ACTION AGENCY DIRECTOR,
NORTHWEST SIDE OF THE STATE OF MICHIGAN**

Ms. TRUCKS. Thank you, Senator. It's an honor for me.

I'm Mary Trucks. I'm a Community Action Agency Director from the northwest side of the State of Michigan. I've held that job for 23 years, and I've met a lot of public servants, but I've never met anyone that actually personified that spirit of public service that Terry Duvernay has.

You know Lake County, Michigan, one of the poorest counties in the country. I invited Terry Duvernay to a housing conference. I invited a lot of officials, but Terry came and he participated in each work group throughout the long day. He went back to Lansing and rewrote a MSHDA program so that two of our very low-income communities could apply and qualified to apply for and receive grants to do rehab.

Over the years that I've worked with Terry in Michigan. Terry made it possible for nonprofits in Michigan to get the capacity building that we needed. As a 25-year-old network of community based organizations, we did not have a role in housing until Terry said we're going to give you the training that you need.

As a result of that, we received a \$1.3 million HUD grant to build low-income housing for the elderly. We will break ground this spring. I give all the credit to Terry because without that training I couldn't have walked into a meeting with the group of people that had been coming in for 3 years. My first time in we were able to understand what was being asked of us, put together a package and we were funded the first time out.

The CHAIRMAN. That's terrific, and I appreciate, Mary, your saying that, and when you talk about empowerment, I think you've just given an example of how through his help you felt empowered. You were able to do some things that otherwise probably wouldn't have happened.

Ms. TRUCKS. That's correct.

The CHAIRMAN. Well thank you. Let me let you go back. Thanks for coming up and saying that.

Senator Sarbanes, did you have an opening comment?

OPENING STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Just a very brief one, Mr. Chairman. I know you're going to go now to questions, but I just want to join you and Senator D'Amato in welcoming Terry Duvernay to the Banking Committee today.

I expect this will be the first of many positive and productive meetings that we will have with him over the coming years. He comes to us with excellent credentials for the Deputy Secretary position and a breadth of experience in affordable housing issues. As we've just heard, he has established a record each place he has been of excelling and performing well.

I recall his contribution as a member of the Rouse-Maxwell National Housing Task Force which Senator Cranston and Senator D'Amato established when we were trying to formulate a workable affordable housing strategy for the country. That now is actually the framework of the law. We passed it and then we revised it in the last Congress, and we think we've provided the Department with a legislative framework within which they can work.

I recall his testimony before the Housing Subcommittee on behalf of the HOME Program which is an essential element of the affordable housing strategy, and we look forward to having him at the Department implementing these programs.

So I'm pleased to join with my colleagues in welcoming him to the committee. I apologize that I wasn't here to hear his opening statement, which I've had the opportunity to read, and I was particularly struck by the first page of it.

This is a man who, as he said, it was his family, his parents who taught him and implored him to never, ever forget from whence he came. He has not done that up to this point. He has always remembered, and I have confidence that he will continue to remember. That's a very important qualification for the role you will be playing.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Sarbanes.

Senator Domenici, you wanted to comment.

Senator DOMENICI. Mr. Chairman, I was just going to say to Mr. Duvernay as soon as the Long Islanders leave so there is room I'll bring in some New Mexicans. They're waiting.

[Laughter.]

Thank you, Mr. Chairman.

Senator SARBANES. That's known as a gentle hint I think.

[Laughter.]

Mr. DUVERNAY. In fact, Senator, I met with a New Mexico friend of my last night and in my office yesterday, the guy who was my counterpart in the State Housing and Finance Authority, Jim Stretz.

The CHAIRMAN. Let me just make one other observation, and that is having had myself the chance to serve in the Congress now 27 years in both parties, serving for a while as a Republican and for the last several years as a Democrat, I appreciate the point you

made about the bipartisan approach and working with everybody. I think your comment to Senator D'Amato and your comment to Senator Domenici is most appropriate.

There are always going to be partisan differences, but on this committee we try to keep those to a minimum and work together, and we do work together. Senator D'Amato and I have an excellent working relationship as Senator Garn and I did before that.

I think it's very important in this agency that there be that kind of openness and directness so that the members of this committee on both sides of the aisle feel that they can work through you directly and promptly on things that come up.

I also think, too, in just the nature of the way our political system works that over time we have these changes in administration. We've had one administration now that has left power that was around for a 12-year period of time, and whether it's shifting from one party or the other party, these periods are opportunities for renewal and for new people to come forward.

You epitomize that in a very important way. When we change administrations and new people are called upon and given opportunities to come forward and serve, that has now happened in this instance for you, and I think you're a very important expression of the Clinton administration, who it is, how it thinks, how it feels, what it brings in the way of commitment and experience.

I'm struck by that as we meet here today in the sense that we have an opportunity to think afresh and think anew in the Department of Housing and Urban Development, and I think you bring, as I've said before, uniquely great talent and experience to tackle this particular assignment that you've been asked to take on.

In that context there have been recent articles in the Washington Post and the New York Times that have suggested that the transition report found that HUD remained plagued by, and I quote, "critical management failures and systemic weaknesses that," according to the Washington Post, put more than, and I quote again, "\$1 trillion in programs at risk and exposes the Department to fraud and abuse."

I would like to start out by getting your assessment of those findings, have you talk a bit about what actions you and the Department intend to take and are taking with respect to these management deficiencies and do you think you have the resources that are adequate to meet the challenge in terms of dealing with mismanagement difficulties.

Mr. DUVERNAY. Thank you, Senator. Indeed, I was struck, as was the Secretary, when we reviewed reports by the Inspector General, the transition report, reports by the GAO and others of reported management weaknesses at the Department.

When the Secretary first got to the Department he asked the Inspector General to do a thorough methodical review of reports that had studied the Department and to come up with a list of the 10 material weaknesses that had to be addressed. The IG then combined in that presentation the first three, which were systemic management problems, resource management problems, data system inadequacies and an internal control environment that needed improvement.

The Secretary has given me the responsibility to lead the effort to resolve these problems. I come to that effort understanding that it's enormous job, but one that has to be done if we can continue to serve the housing needs of people in this country. After reviewing that report, we've called together the primary Department leaders and we've brought them into a process that will gain improvement.

We have moved to implement fully the Chief Financial Officer Act recommendations at the Department, and we will do that. We have asked OMB in the budget of 1994 for \$100 million to move forward systems integration, a plan that reportedly will take 7 years, which we have to do faster if we are to make the Department work.

We've looked at problems around the preservation stock that is out there and the disposition of the stock that we have and we've looked to get funding to make sure those problems can be adequately addressed. In the area of public housing, understanding that we have troubled Public Housing Authorities, we've got to find a new way to address that problem.

In coming into office we had an independent assessment team go into one area that was particularly troublesome that you're aware of, Senator, that's in our home State of Michigan, but to address the problem in a way that finds solutions that are workable. What we want to do with that type of an assessment is to move and replicate that type of effort from troubled Housing Authority to troubled Housing Authority to make improvement.

My principal responsibility will be to make advances in that area for the Secretary. I will work with him very closely. He will work very closely in making sure that management improvements do come to the Department.

The CHAIRMAN. I'm going to suggest, and I'm open on the timing, but in roughly 90 days or 120 days, something on that order I'm going to ask you to come on back to tell us where we are with respect to dealing with what is obviously a very serious long-term build up of problems here so that we can be clear as to what is being done and how quickly things are responding to the new signals.

If you need additional resources in some fashion or some other assistance of this Committee to really get things working as they should be, we're going to want to know that. So I will work with you to set a time so that we can meet again after there has been a period to really take hold of the reigns and work the process.

I've got other questions I want to raise. Senator Moseley-Braun is here, and let me invite you to make any comments you would like to make at this point.

OPENING COMMENTS OF SENATOR CAROL MOSELEY-BRAUN

Senator MOSELEY-BRAUN. Thank you very much, Mr. Chairman.

I actually have remarks which I would like to file for the record welcoming the nominees to this committee, and I look forward to working with them in this area.

The CHAIRMAN. Without objection, so ordered.

Senator MOSELEY-BRAUN. Mr. Duvernay, particularly you have a very fine reputation coming out of the Georgia Housing Finance

Authority as an innovator in providing access to low- and moderate-income housing finance, and that's an area that concerns this committee greatly.

I just yesterday met with some bankers from Illinois who have taken some steps themselves to provide and open up and expand opportunities for moderate-income housing financing for rehabilitation as well as construction.

I guess I would like for you to comment a little on how do you think that we can expand opportunities for those kinds of initiatives, that are on the margin, if you will, for initiatives in urban areas that will encourage lending institutions in the private sector to be more active in behalf of providing financing for low- and moderate-income housing rehab.

Mr. DUVERNAY. Thank you very much, Senator. I think that in the main we have to do what you've asked. We have to find ways to do that, and I think we can. I think there are examples of innovations that over the course of the last 12 to 15 years where State and local government agencies, nonprofit agencies and non-traditional lending institutions have had to find ways to bring capital to areas of the kind that you mentioned, and I think we have to find new ways to do so and we know that there are discussions on how to do that, and I'm sure we'll get more into that today.

One of the ways I think we can do that is through our new role at HUD in our relationship with the GSE's, Government sponsored enterprises working with Fannie Mae and Freddie Mac to plan incentives and to get them to invest more in communities of the type that you speak of. We have a goal setting responsibility to make sure that 30 percent of what they do goes to inner cities and 30 percent to low income.

We want to work with the Federal Housing Finance Board structure to find a way to bring capital, and we want to work with community development bank concepts and Enterprise Zones concepts to do that. We want to find a way to continue the efforts that we've made again with Housing Finance Authorities and nonprofits to do that. The short answer is there are ways to do it, and we think that HUD has to be a leader in finding ways to help communities.

Senator MOSELEY-BRAUN. Do you think legislation is needed with regard to the involvements of Fannie Mae and Freddie Mac, or do you think that just an internal change of underwriting standards and internal changes initiated by HUD would do the job?

Mr. DUVERNAY. I think the 1992 legislation which passed needs to be put in place now, and I would not look to new legislation at this time. We are working with Fannie and Freddie now toward an agreement on the goals that they have to meet, and I think that we want to have an opportunity to do that before we would revisit the question of legislation.

Senator MOSELEY-BRAUN. One last question on CRA. As you know, CRA only applies to banks and S&L's, and yet that's only half of the market. There are other institutions that are less regulated. Do you think we should expand CRA to bring in these other lenders?

Mr. DUVERNAY. I would want to reserve comment on the specifics of that, but let me assure you that I think we have to find a way in CRA to make sure that what we're measuring are outcomes

rather than process. So I think there are improvements to be made in the manner of scoring. I think we at the Department, even though it's not our prime responsibility, have to find a way to engage that question.

The Secretary has moved to make the Office of Fair Housing and Equal Opportunity more proactive and more aggressive, and we've got to find a way in working with OCC and others to find a way to enter that kind of discussion. So I think while I would like to study the question of expansion at the moment, what we do know is we would like to see a different approach, one that looks at outcomes rather than process.

Senator MOSELEY-BRAUN. Oh, there is no question about that. I think, Mr. Duvernay, we all want to see the regulatory burden relieved. I mean I think there is consensus. If there is one thing that I've heard consensus on in this committee it's that the regulatory burden needs to be relieved and that we ought to focus on outcomes, or have some way of focusing on outcomes and assuring outcomes as opposed to just paper shuffling and how many forms you can fill out.

My question though has to do not just with CRA, but expanding CRA to apply to financial institutions that right now have a competitive advantage really with regard to the banks specifically because they are not covered, because they have no obligation to invest in communities and they have no responsibility in that area. So the banks that are trying to do the right thing find themselves at a disadvantage competitively with regard to these other financial institutions to which the regulations do not apply.

So my question is do you think it makes sense to have more blanket coverage in terms of the concept and the obligations and the responsibilities of CRA? We're not talking regulatory burden. Do you see expansion of the coverage in that regard?

Mr. DUVERNAY. I think we have to make sure that expansion might be a possibility. What I would like to do, however, is study it before I made a commitment.

Senator MOSELEY-BRAUN. That's fair.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator D'Amato.

Senator D'AMATO. Mr. Chairman, I have no questions. I just wish Mr. Duvernay the best of luck.

Mr. DUVERNAY. Thank you, sir.

Senator MOSELEY-BRAUN. Mr. Chairman, that was the part I left out of my remarks. I wish you all the luck also. You've going to need it actually, but good luck to you.

Mr. DUVERNAY. Thank you. I know that.

Senator MOSELEY-BRAUN. And we hope to be helpful.

The CHAIRMAN. Let me just raise one other question with you, and there may be questions for the record from other Members. Speaking as Chairman I believe that Federal housing and community development programs can play a significant role and do play a significant role in targeted economic stimulus, and that's in the package that's before the Congress now.

In fact, Senator Sarbanes and I wrote to then President-Elect Clinton to urge that Federal housing and community development

programs be included as part of any economic stimulus package, and we were both pleased that President Clinton decided to increase appropriations for the community development block grant area in the stimulus package, and we were both pleased that President Clinton decided to increase appropriations for the community development block grant area in the stimulus package.

Now recently in the press there have been some critiques on the stimulus package in general and the block grant program in particular asserting in some of those commentaries that the program just provides funding for political pork barrel type projects. I don't think that is a fair criticism, but I would like your comment on the record as to the role you see community development block grant funding playing at this time both in economic stimulus and in terms of improving the quality of circumstances out there where people live.

Mr. DUVERNAY. Thank you, Senator. I'm a believer in the community development block grant program, and I come to that point because of the background that I've gone over and that you've so kindly identified. I have in my time as a public official seen the good that community development does. I have gone into community after community and seen evidence of good programs, good projects and good effort on the part of community development.

I only have to go to my experience in Michigan and know that a community development block grant was used to work with non-profit groups like FLINTNIP in your home town and with ICCF in Grand Rapids that utilized a combination of community development dollars with other dollars they were able to work with, including some dollars from my former agency, MSHDA, and made a wonderful difference in turning around an inner-city neighborhood in reconstructing housing. So I'm a believer in it.

I've heard the anecdotes, but I would warn against throwing the baby out with the bath wash. It's a good program. I do think that it's also good because of the local flexibility in identifying activities. Local governments do that so long as they meet existing eligibility requirements.

We have met with our field offices and we've instructed them, in addition to the work of the local governments, to closely monitor grantee activities because we want to ensure that these efforts are in full compliance because we don't want the anecdotes that will be raised to destroy a program that has done a wonderful amount of good.

The CHAIRMAN. I want to touch on a couple of other things because I want to have our hearing record complete as we start out here in this area.

I appreciated your comments earlier on mortgage discrimination and opening up housing opportunities working through other parts of the government. I feel very strongly based on the work that we've done and hearings we've heard here that mortgage discrimination and lending discrimination is a big part of our problem in this country. It has helped the accumulation of difficulties I think in our society and certainly in some of our big inner-city areas, but I think out beyond that as well.

I want to make sure that you understand that the committee and I expect that HUD is going to do everything it can working through

its own direct outlet's, but working through other parties to take and confront this issue of mortgage discrimination and lending discrimination generally.

I mean we can't have much of an effective housing program if people out there who have valid credit histories and are seeking credit to either buy a house or to improve a house in a neighborhood that is maybe struggling to sustain itself if they are turned away because of mortgage discrimination as we know from the Boston Fed Study and other studies is happening, and then there is no way in the world the country is going to be able to make the kind of progress in this area it needs to make. So I just want to underscore the importance of moving aggressively in that area.

I also would be interested in having you respond to me for the record on the issue of where you see things going with the community development bank concept. Now you've touched on it today, and we've had hearings already here on that, as you know, and we've looked at the South Shore Bank and other examples.

I would like to know who is going to be responsible in the administration for really quarterbacking the community development bank program and if that decision has been made, and if it hasn't, I would like you to see if you can't see that it is made and one way or the other let us know the status of that so we'll know exactly how it is likely to proceed.

All the work of this committee has convinced me that our country desperately needs a centralized and coherent strategy to address the challenges facing our inner-cities. This is a problem across the country and communities are trying as best they can to cope with it. Clearly it's a national problem and there has to be an element of national strategy to deal with it, and part of it of course relates to our Federal housing programs, what HUD does, community development banks, enhanced enterprise zones and a host of other things.

But at present programs to help urban areas are under the jurisdiction of at least 10 different agencies and departments. So it's spread all over the lot, and there really is no effective mechanism that I can see that pulls this together. It's always hard to coordinate things when you've got different people moving in different directions.

I have actually suggested in writing to the President that the Secretary of Housing and Urban Development really be put in charge of coordinating the urban initiatives within the Government so that there is a point of focus and there is a point of responsibility.

Without commenting directly on that, I would ask you just finally your view on the advisability of something like an Urban Affairs Council in the White House that can formulate a more focused and aggressive coordinated urban policy strategy for the country.

Mr. DUVERNAY. Senator, on the issue of mortgage discrimination the Secretary at HUD takes very seriously the role of our own Office of Fair Housing and Equal Opportunity. He wants it to become more proactive and more assertive, and already we have allocated \$1 million for testing. We are working with OCC, as I mentioned earlier, to see how we can link fair housing and CRA.

There is going to be a conference on HMDA that we will host in May. We're looking at our own FHA to see how we can improve its role in ensuring fair mortgage lending, and we are also looking at how we can use section 8 enforcement effectively, but to effectively and legally broaden it from the traditional application of preapplication enforcement. So I think in the role of mortgage lending you'll find us to be very proactive.

On the question of community development banks, I think we have to be concerned with who does community development banks, Senator, and currently we also have to be concerned with what it is that we do and what it is that we run. We at HUD stand ready to do our part.

Presently there is an effort going on in concert with others that we think will lead to a broad based comprehensive approach to that question, we need to have a community development lending package, a broad one. We have to work in conjunction with credit unions to bring their efforts to bear. We have to work with the GSE's, as I mentioned earlier, to insure their effort of providing credit to credit starved neighborhoods.

The CHAIRMAN. Let me just say to you there, if I may interrupt, just for the record and for your own knowledge that I really expect and feel it's absolutely necessary that HUD play a key role in the development of this community lending process. It cannot be just driven from other parts of the government or from the bank regulatory side of it.

I think the outcomes, as you say, and as Senator D'Amato I think underscored as well, we're not interested so much in process, and process is important, but we're interested in results, and I want to make sure that HUD is fully involved from start to finish, and if there are any problems in that I want to be told.

Mr. DUVERNAY. I understand, and I understand your desire to have that happen, Senator, and HUD wants to be involved. The process, and I'm aware that we talked about not focusing on process, I understand the concern, as I've mentioned, but we are in the early stages of that effort, and I will be happy to report back to you the results of the efforts, but HUD will be a part of that effort and a major part.

The CHAIRMAN. Senator Sarbanes is momentarily delayed on a telephone call here and he wants to pose a question to you. I'm going to have you just remain seated, if I may, because I'm finished, and if Senator D'Amato has nothing else, I want to call our next witness, Jean Nolan up to the table.

Senator D'AMATO. Mr. Chairman, I just want to make one observation, if I might. While I agree with Mr. Duvernay that the block grant program has many attractive aspects, I am concerned about the request to liberalize the formula. The House has I believe acted on it, so that instead of the current 15 percent cap, local and State governments would be allowed to use over 20 percent of the social service funds for their own government operations.

Now if we're talking about an economic stimulation package and we're talking about constructing housing, roads or dealing with the infrastructure needs, that's the kind of thing I believe you and I and Senator Riegle are talking about. I do not believe that we're

talking about giving greater latitude for political hiring or for subsidizing local payrolls.

I don't want to put you on the spot and ask you for your comment because you have the House voting to liberalize it, but I just want to suggest to you that this Senator has some very real problems with that, and I don't think that was the purpose of the grant program, nor do I think it's the purpose of the intended infusion to provide for payroll transference, so to speak, and have the Feds pick up the local share of political payroll.

That's where I'm coming from. I spoke to the Secretary about this before he was confirmed, and he at that time indicated that he shared my concern for that and would not be favorably inclined. So you might want to bring that back to him. I don't want to lay it on you, but I would like you to call it to his attention.

Mr. DUVERNAY. Thank you. I have noted it and will do so, sir.

The CHAIRMAN. I want to go shortly to Ms. Nolan.

Senator Sarbanes, do you have any questions for Mr. Duvernay? I know you want to make a comment with respect to Ms. Nolan.

Senator SARBANES. No, I'll forebear, Mr. Chairman. I know we'll have plenty of opportunity to have an exchange of views over the coming months with Mr. Duvernay. I registered my own judgment at the outset when I made my statement, and I very much look forward to working with him, and I very much hope, Mr. Chairman, we'll be able to get these people in place before we break for the Easter recess at the end of next week. I think it would be very important and helpful to the Department if they could actually be sworn in and in place.

Senator D'AMATO. Well, I would do all that I can to be accommodating because I agree with Senator Sarbanes, my colleague. It is extremely important that we act on this, and if there is any way in which I can help expedite the process I'm committed to do that.

Senator SARBANES. Henry Cisneros is very able, but he ought not to be a one-man band. We want to get the other members of the band in place down there.

Mr. DUVERNAY. Thank you very much. If I could in closing thank all of you for your expressed vows of support. It has been a pleasure to be here to testify before you, and if confirmed I look forward to working with you constantly and being available to you at all times.

Thank you.

The CHAIRMAN. Thank you very much.

Senator SARBANES. Mr. Chairman, having foregone my question period would you and Senator D'Amato allow me to say a few words about Jean Nolan because I just got a call and they want me to come over to the floor.

The CHAIRMAN. Please do.

Senator D'AMATO. Well if I might just raise a point to that. I find it very disturbing that Jean Nolan who has such a beautiful given name would emasculate it such. Her name is Regina, and that's a beautiful name, and I see her mamma applauding, and I told her I would raise this issue today.

[Laughter.]

So with that caveat, Mr. Chairman and my good friend, Senator Sarbanes, I would be delighted to yield.

Senator SARBANES. I think what happened is that it's a queenly title, Regina, and I think given that this is a democratic republic she sort of—

Ms. NOLAN. That's exactly right, Senator.

Senator SARBANES. I just want to say that Jean Nolan is an extremely articulate and bright person, and I think she will be an accomplished spokesperson for the Department. I say that not only because of her ties to my home State of Maryland, but also because of her very successful career with the Enterprise Foundation.

I mean anyone who works for Jim Rouse comes obviously very highly recommended. He is not only one of Maryland's leading citizens, but one of the Nation's leading citizens. I'm very pleased to see her before the committee and we look forward to working with her. I appreciate the courtesy of my colleague.

The CHAIRMAN. We look forward, too, as we start, Ms. Nolan to have you introduce your mother and other family members that may be with you shortly here.

You have been nominated to be Assistant Secretary for Public Affairs at the Department of Housing and Urban Development. As Assistant Secretary you would be responsible for advising the Secretary on matters relating to public information, public opinion, participation in public events, relationships with the news media and the impact of policy decisions on the public. You certainly bring to this position an impressive background in media relations, public relations and housing and community development, as Senator Sarbanes has said.

Since 1989 you've directed the Offices of Communications and Publications with Jim Rouse's Enterprise Foundation, which has certainly been an institution out in the forefront in finding innovative solutions to our nation's housing problems. You've also had firsthand media experience having worked as a reporter for the Washington Business Journal, the Philadelphia Business Journal and the Housing and Community Development Reporter.

The Assistant Secretary for Public Affairs serves as the gatekeeper to the flow of information between the Department, the news media and the general public. I think it's very important that the individual who holds this position foster a cooperative and open relationship with the news media and those parties that assist HUD in carrying out its mission.

We welcome you here this morning. Let me now have you stand and I'm going to administer the oath to you as well, and then we'll hear from you.

[Ms. Nolan stands and raises her right hand.]

Whereupon, Jean Nolan was administered the oath by Chairman Riegle as follows:

The CHAIRMAN. Do you swear and affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth so help you God?

Ms. NOLAN. I do.

The CHAIRMAN. Do you agree to appear and testify before any duly constituted Committees of the Senate?

Ms. NOLAN. I do.

The CHAIRMAN. Let me welcome you again and we are delighted to have you. If you would like to introduce anyone before you start, then we would be pleased to hear your statement.

STATEMENT OF JEAN NOLAN, ASSISTANT SECRETARY DESIGNATE FOR PUBLIC AFFAIRS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. NOLAN. Thank you, Mr. Chairman.

There may be slightly fewer Nolans in the crowd right now than there were Long Island folks a few minutes ago, but I'm very proud to be here this morning in the presence of my parents, John and Betty Nolan, and it's not even the whole family. I have three of my sisters and my brother and their spouses and nine of our 16 nieces and nephews. In fact, the voice you hear is a budding communicator in the background. That's the youngest one. I couldn't be more pleased that they came mostly from the Philadelphia area to be here this morning.

Chairman Riegle, Senator D'Amato, Senator Sarbanes and members of the committee, it's a privilege to appear before you today as President Clinton's nominee to serve as Assistant Secretary for Public Affairs at the Department of Housing and Urban Development.

I am honored that the President and Secretary Cisneros have selected me for this important position.

I have worked in the communications field for over a decade, many of those years related to housing and community development. I am proud and eager to combine my deep belief in open communication with a commitment to help make life better for all Americans through decent, affordable housing and healthy, nurturing communities.

When Secretary Cisneros appeared before this committee in January he spelled out three aspects of HUD's mission, developing an urban agenda, focusing on the delivery of housing and overhauling the management systems and continuing reforms of the Department.

The Secretary also offered several qualities he expects of HUD in carrying out its duties. He wants the Department to be more efficient, to innovate and to forge new partnerships with cities, States and the people we serve.

The Office of Public Affairs plays a critical role in helping the Secretary fulfill these missions by clearly and honestly communicating the Department's policies and programs to the public.

We will do so by embodying the attributes the Secretary holds as important for HUD to reclaim its voice for urban America. We will act promptly and cooperatively. We will use tried and true methods of communication and find new ways to reach the public. And we will make sure the ideas and opinions of Government, non-profits, all of our partners are heard throughout the Department.

The Secretary's approach to reinventing HUD means a shared process of communication. We will not only inform the public of what we were doing, but we will listen to what they are saying.

The Office of Public Affairs will take the lead in showing how our programs can help, identifying successful models that others can

use, and when we make mistakes, disclosing them and discussing how we will work to correct them.

Mr. Chairman, President Clinton and Secretary Cisneros care deeply about our communities. I look forward to working with them and the Members of this Committee to help build better communities for all Americans.

Thank you.

The CHAIRMAN. Thank you very much, and we welcome you here before us.

Let me just ask you what you see at the outset here as the most important goals and priorities for HUD's Public Affairs Office?

Ms. NOLAN. I think that the priorities of the Public Affairs Office and its responsibilities are to obviously implement the priorities of the Secretary. He has laid those out as the delivery of housing, developing an urban agenda and improving the management issues.

Obviously it falls on this division, the Public Affairs Office, to communicate how we're doing in those areas, what policies we've established, what programs we've established and to inform the Secretary of how potential programs and how proposed programs will impact on the public.

Second, I think it's extremely important for us to foster cooperative relationship with the press, and my background as a former reporter will certainly be brought to the fore here.

And, third, I think it's also important that the Secretary has talked about the need for HUD to reclaim its role as the voice of urban America, and I think that that falls clearly within the Division of Public Affairs. We need to be talking about the issues and the problems of our communities and ways to solve them and use that energy and that role as an enabler to mobilize others to join with us in solving them.

The CHAIRMAN. You know, I'm going to wait to see if Senator D'Amato has any questions for you, but I think you're going to do a fine job, and I'm delighted that you've been asked to serve in this capacity and that you've stepped forward to do it.

I want to just as I wait for Senator D'Amato to come back say to you that I refer to something that Terry Duvernay said earlier in making a reference to his own experience in growing up in a ghetto neighborhood in New Orleans years ago.

He talked about the impact of what housing can mean on the human will, and I think we sometimes don't put these things together. We don't really think about what it is that impacts on individuals in terms of how they see their own possibilities and how they see society thinking about them, how they see the possibility of getting up to higher ground in terms of personal effort and personal achievement being able to participate more fully in the wonderful aspects of American life when you really have a way to get there, the job skills and the educational skills and the supportive things that we need to make that climb.

I think in terms of what the Department of Housing and Urban Development can do is really impact importantly on the human will, that we can help people understand that everybody in this country is important and that people who may be in the most distressed circumstances and the most difficult circumstances, including our homeless people, that if we can help chart a path back to

a decent way of living and to having the kind of housing that people and families ought to have that in fact we can take and do something about the human will itself.

Sometimes it's very hard for people to swim against a tidal force that is so great that they can't make progress. It shouldn't be that way in our country and it doesn't have to be. I know you feel that way, but I want to make those comments in reference to both your nomination and what was said earlier.

Senator D'Amato, any questions for Ms. Nolan?

Senator D'AMATO. Are you going to watch Temple tonight?

Ms. NOLAN. Yes, I will.

Senator D'AMATO. They're playing tonight, aren't they?

Ms. NOLAN. That's right.

Dad, is that right?

Mr. NOLAN. Yes.

Ms. NOLAN. Yes, they are.

The CHAIRMAN. Let me try one other question. Do you know who is playing at 8 o'clock tonight? A team from the Midwest.

[Laughter.]

Ms. NOLAN. I'm from Maryland now, Senator.

[Laughter.]

Senator D'AMATO. You mean you're not rooting for Temple? Come on tell the truth.

Ms. NOLAN. Sure I will.

Senator D'AMATO. They knocked all the big East teams. So I'm rooting for Temple.

Ms. NOLAN. I'm waiting for baseball season.

[Laughter.]

Senator D'AMATO. Let me say, Mr. Chairman, Regina brings an absolutely marvelous background and a commitment to this position. Having had an opportunity yesterday just to exchange a couple of thoughts with her, she is not only a wonderful communicator, but she is deeply committed to the area of housing, rehabilitation and service to her community, and I really think that the Secretary has chosen an extraordinarily talented and committed person to be his Assistant in this very vital area.

We certainly wish you well in your undertaking, and I know your parents are extremely proud of you, and let me commend them for the great job that they have done in making it possible for you to be here today.

Ms. NOLAN. Thank you, Senator.

The CHAIRMAN. I want to underscore those comments. This is not only a very important family day for you being at this table as a Presidential nominee, but for your family and for your parents. Very few people in our country reach the level of this kind of privilege of service to be able to be asked by the President of the United States to take on important duties and to come here and to go through the Senate confirmation process. But I think it shows a lifetime of hard work and family support, love and effort to excel. You have clearly done that and that's what brings you here today. So we're very encouraged by that and we're going to move as promptly as we can to get you confirmed and into that job.

Ms. NOLAN. Thank you, Mr. Chairman, and thank you, Senator.

The CHAIRMAN. Thank you, and let me excuse you now and we're going to call up our next and final nominee this morning.

[Brief pause while the Chairman greets Ms. Nolan's family.]

The CHAIRMAN. The committee will come to order.

Let me invite those that are leaving to do so and those that are staying to find seats so we can resume our confirmation process this morning.

We have scheduled today's hearing on the nomination of Larry Summers to be the Under Secretary for International Affairs at the Treasury Department because in that position he will be exercising important responsibilities on matters that are clearly within the jurisdiction of the Banking Committee.

When his nomination papers were submitted to the White House they were referred to the Finance Committee, a committee which I myself am a member, because as a general rule all Treasury nominees, with certain limited exceptions, are sent to the Finance Committee.

However, when you look at the responsibilities of the Under Secretary for International Affairs, it's clear that many of his most important duties concern Banking Committee jurisdiction. Among these are the following: international economic coordination and exchange rates, which is of course the G-7 process, trade and financial services in the GATT and in NAFTA, reviews of foreign investment as conducted by the Treasury chaired Committee on Foreign Investment in the United States, the regulation of foreign banks, tied aid credits, bilateral negotiations to open foreign financial markets and stop exchange rate manipulation, Third World debt and the International Monetary Fund. And this committee has legislated on most of these matters within the last few years.

In recognition of our committee's very direct interest in the assigned duties of this nominee, Senator Moynihan, Chairman of the Finance Committee, agreed to delay the full Senate vote on this nomination until our committee had a chance to hear from Mr. Summers. And I want to publicly thank Chairman Moynihan for his courtesy and cooperation on this matter as he does on all matters.

I also want to let Dr. Summers know that we plan to work very closely with him and intend to vigorously monitor the activities that fall within our committee's jurisdiction.

I might just say for the record that your predecessor, David Mulford, testified before our committee 11 times between 1989 and 1992. So I want you to get accustomed to the room. We've just had the room refurbished. They are going through and refurbishing the rooms one by one in the Dirksen Building. So we'll be seeing quite a bit of one another.

In your testimony before the Finance Committee you stated that Secretary Bentsen has taken the initiative to revive the G-7 macroeconomic policy coordination process. In fact, I understand that both the Secretary and Dr. Summers attended the February G-7 Finance Ministers meeting in London. Whether we are successful in revitalizing macroeconomic policy coordination will clearly be a significant factor in determining whether our country will be able to reduce its current account deficit and in turn by improving our trade position spur domestic growth and job growth in our country.

This is one of the reasons why I've already invited Secretary Bentsen to come before this committee and testify when the Treasury Department releases its next report on international economic and exchange rate policy later this spring. This committee fashioned the legislation that requires the Treasury to issue those semi-annual reports to better ensure Congressional oversight on these issues.

Dr. Summers, when you are confirmed you will assume major responsibilities for matters obviously crucial to our national well-being, and I want you to know that the committee looks forward to working with you and certainly I do to ensure that we're able to carry out these responsibilities in a manner that best serves our national interest.

Let me just finally say this. We've all been here for varying lengths of time. This is my 27th year in the Congress, House and Senate, and when we get into the area of international affairs and international activity we often find ourselves bending over backward to accommodate the interests of other countries, and I think very often to the disadvantage of this country. I won't take the time now to law it all out in charts and graphs as to illustrations that I think make that point.

That has to end because the United States is in serious economic trouble, and anybody that doesn't understand it isn't paying attention. Certainly the American people understand it. They decided to change Presidents last fall, which they don't do very often, and I think essentially because they were concerned about the economic future and all the polling data shows that.

So I expect these problems to be dealt with directly, and I'm going to help you in every way I can, and if I ever sense that we're not dealing with them directly, then we're going to have a lot of problems because we can't wait any longer to deal with some of these issues, and we can't live with trade deficits that have become in a sense permanent trade deficits that are in the range of \$50 billion with Japan each year, and now \$20 billion or so with Communist China last year, and now we're facing the prospect of an arrangement with NAFTA where I see a tremendous potential for job loss to Mexico, much of which has already happened and which I think is going to accelerate.

I want to make it just as clear as I know how to use the English language that I want to work together with you, but the rain dance we've seen in the past in administrations of both parties on these issues has got to come to an end and somebody has got to look after the economic interests of the United States. It ought to be our Government, and particularly in the area that involves international economic and trade relationships.

I would just finally say that I'm convinced that every country in the world is increasingly understanding that having the best state of the art job base is the single most important national asset to have, and no country is going to surrender its jobs so that we might have jobs if they can find a way to avoid that because they are under great pressure to employ their people and to boost their national incomes and to satisfy the economic and political requirements in their countries.

I think in our country we have sacrificed our jobs time after time after time in foreign policy decisions and maybe we've gotten ourselves a vote in the UN here or there or we've ingratiated ourselves with somebody that runs some other country for a period of time. I think those are self-defeating, long-run strategies, and I'm very much concerned about what we can do to strengthen the job base of this country so that we have the economic power, not just to meet the needs of our own people, but to maintain our influence and our strength in the world as a whole.

I think everything derives eventually from not just our value system but from our economic power, and if our economic power is compromised, then our strategic interests inevitably will be compromised here and around the world. I couldn't feel more strongly about these issues. I've felt that in the past we were not able to work in any truly constructive way with prior administrations because I think their orientation was essentially a foreign policy orientation and I think we sacrificed U.S. interests time after time on the economic side. That's over as far as I'm concerned.

So I want to just say it as plainly as I can on the way in because I want this to be a good, solid, cooperative relationship, but I don't want there to be any misunderstanding about how we're going to guide ourselves in terms of where we're headed.

Senator D'Amato, do you have an opening comment before I call on the witness and administer the oath?

Senator D'AMATO. No, Mr. Chairman. In the interest of the time I'll waive any opening comments. I have an observation to make later.

The CHAIRMAN. Very good.

Let me ask you to stand and raise your right hand.

[Mr. Summers stands and raises his right hand.]

Whereupon, Lawrence Summers was administered the oath by Chairman Riegle as follows:

The CHAIRMAN. Do you swear and affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth so help you God?

Mr. SUMMERS. I do.

The CHAIRMAN. Do you agree to appear and testify before any duly constituted committees of the Senate?

Mr. SUMMERS. I do.

The CHAIRMAN. Very good. Let me welcome you today and acknowledge the fact that you come with a very distinguished background of service previously and professional work.

If you've got any members of your family or others that have come with you that you want to introduce, we would love to have you do that, but we would be pleased to hear now your opening comments.

Mr. SUMMERS. I would be pleased to just introduce my wife, Victoria Summers.

The CHAIRMAN. Welcome.

**STATEMENT OF LAWRENCE H. SUMMERS, NOMINEE FOR
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS, DE-
PARTMENT OF THE TREASURY**

Mr. SUMMERS. Mr. Chairman and distinguished members of the Senate Banking Committee, I come before you today as President Clinton's nominee to be the Under Secretary of the Treasury for International Affairs.

This is a great honor, and if I'm confirmed I look forward to serving with President Clinton and Secretary Bentsen and working with this committee on the critical international economic issues that you have just outlined.

President Clinton has introduced a domestic economic plan that will do more to advance American foreign policy than the negotiation of a new treaty, the production of a new weapon or the extension of additional security assistance.

The President set the tone of the administration's international vision in a speech to American University last month when he said that only a prosperous America will prepare us for new global challenges. By restoring fiscal responsibility and promoting long-term investments in growth the President is seeking to build a more competitive America and to maintain and enhance the leadership we exercise in the global community into the 21st Century.

The Under Secretary of the Treasury for International Affairs is charged with helping the President and the Secretary formulate and implement U.S. international economic strategy. His responsibilities or her responsibilities include policies in the areas of macroeconomics, exchange rates, trade, debt and U.S. participation in international financial institutions.

The Under Secretary also serves as the G-7 Financial Deputy with primary responsibility for working with the Secretary in coordinating economic policy between industrial nations and as the financial "Sherpa" in preparation for the annual Economic Summit.

In my confirmation hearing before the Senate Finance Committee last week I outlined four critical policy areas in my portfolio, macroeconomic coordination, efforts to open foreign markets to U.S. exports of goods and services, assuring the success of Russia's reform effort and promoting environmentally sustainable and humane development strategies.

Today with your permission, Mr. Chairman, I would like to expand upon two specific issues that are of particular interest and importance to the Banking Committee, the administration's efforts, one, to realize greater international macroeconomic coordination and, second, to liberalize international financial markets.

The administration is determined to reinvigorate the macroeconomic coordination process among the G-7 industrial countries. We are committed to this because the United States cannot grow and prosper alone in the world. This is a particularly important time for macroeconomic coordination.

With the projected reductions in the U.S. budget deficit we have a rare opportunity to do what we must do and reduce its twin, the trade deficit. The best way for budget deficit reduction to translate into trade deficits is through growth in exports, and the best way to achieve export growth is to restore growth in foreign markets.

Secretary Bentsen's approach to reviving the G-7 process has three critical elements. First, he emphasizes that our international credibility depends on the credibility of our domestic economic program. Policy coordination cannot succeed if the United States simply depends on other countries to rescue us from our domestic failures.

Second, the Secretary has made it clear that discreet private communications are likely to be more effective in improving cooperation than the public hectoring that has occasionally colored exchanges in the past. He has also taken the initiative to inject a new element of informality into the process. G-7 has spent too much time in the past negotiating the placement of commas in communiques and too little time in charting a course for a global return to prosperity.

The third element of the Secretary's approach is a recognition that policy coordination does not mean common policies in each country. The policies we pursue must reflect the specific conditions in each of our economies and our own national interests. Fortunately where economic growth is concerned national imperatives and international interests increasingly coincide.

The United States economy is now likely, according to most economic forecasters, to grow more rapidly than that of our major trading partners in Japan and in Europe over the next 2 years. While we can take satisfaction from being at the top of the lead table in growth, there is a greater problem. Slow growth abroad means slower growth for U.S. exports and it means rising trade imbalances.

That is why it is so important that our major economic partners take actions in the short term to strengthen growth in their own economies. Secretary Bentsen and the President have made it clear that they hope to see real progress in the introduction of such policy measures by the time of the Economic Summit in Tokyo.

The second policy area I would like to briefly focus on is Treasury's efforts to open foreign markets to U.S. financial institutions. Secretary Bentsen expressed concern in his confirmation hearings that some foreign countries still do not give U.S. banks and securities firms a fair opportunity to compete in their financial markets. We at Treasury are committed to defending the interests of the U.S. financial community in these markets.

Promoting financial liberalization abroad is important not just for our banks and securities firms. It is also important to our manufacturing companies as well, because by promoting financial deregulation we help to ensure that foreign manufacturers do not benefit from artificially low costs of capital.

Treasury is engaged in a global effort that combines multilateral negotiations in the Uruguay Round with a broad number of bilateral financial market talks. Much of this effort will be concentrated in the major financial markets of East Asia where United States firms face a number of challenges to market access.

In Japan, for example, United States investment banks remain effectively excluded from the corporate underwriting business dominated by the big four Japanese houses, and United States fund managers have been allowed to compete for only a tiny fraction of the pension business.

In Korea, to cite just one other case, the Finance Ministry is drafting a blueprint for deregulation and liberalization, but it is not yet clear whether this plan will address critical restrictions on the foreign financial community, such as limits on access to local currency funding and foreign exchange controls.

Our financial service institutions are world class innovators. They will prosper when they are given the opportunity to compete. The financial market in the United States is so open and competitive that to paraphrase Frank Sinatra, if our firms can make it here, they can make it anywhere.

Mr. Chairman and distinguished members, the Department of the Treasury is working to implement——

Senator D'AMATO. Did you write that line yourself? It's a good one.

Mr. SUMMERS. Thank you. I'll give credit where it's due.

Senator D'AMATO. Victoria did it.

Mr. SUMMERS. What's that?

Senator D'AMATO. Victoria did it.

Mr. SUMMERS. No, I can't say that.

The Department of the Treasury is working to implement President Clinton's vision of an engaged and hard-headed internationalism to complement his program of domestic renewal. Secretary Bentsen said in his welcoming speech to the employees of the Treasury Department that as State and Defense were the guarantors of military security during the Cold War, and as Senator Riegle stressed, economic security will be paramount in the years ahead the Treasury Department must be the guarantor of economic security in the post-Cold War world.

If confirmed, I look forward to serving at Treasury during this critical period and to working with each of you and with this committee.

Thank you.

The CHAIRMAN. Thank you very much.

Let me say at the outset that I appreciate the emphasis you gave to the issue of fair trade and financial services and the barriers that we have faced, and we're not shut out because we're not competitive. We're shut out because, if anything, we're too competitive.

Senator Garn and I, when he was here, worked very hard to open that up. We had legislation to do that which we thought on a bipartisan basis was very important. Senator D'Amato was a cosponsor of that legislation, and I want to see us press ahead in that area. I mean we've got to get this job done because time is awasting and we're not only high competitive in financial services, which is a more direct lineup with the Treasury Department, but we're competitive in a lot of other things.

I'll give you another example outside of financial services and that's auto parts. We're very good at that in this country and we sell auto parts all over the world. Once place we have a very hard time selling auto parts is Japan even though we're able to sell to everybody else in the world, and it's not because they are not as good or better or cheaper than their own suppliers, but it's that they just decided they don't want to buy those things from us because they like the big bilateral surplus in their favor sucking the capital out of this country and the jobs with it.

So I would hope that while our Trade Ambassador has got to be the lead horse on the issue of confronting these things you're not a bashful person, and I would hope you would not be bashful in these meetings when these issues come up on the trade front and we get all the tears flowing down from some of our trading partners who skin us alive every day because they have essentially open access to our market and in many ways restrict access by our people to their market.

That really must change, and if it doesn't change and we don't get economic growth going faster and job growth going faster here, I don't know how long you intend to stay in this job, but I don't think the administration will last more than 4 years if we don't demonstrate that we can produce at least the eight million jobs in the private sector over the next 4 years that the President has set out as a national goal.

Unless we can do something about these persistent trade pattern problems, I don't see how we're going to get that job growth. We're losing a lot of jobs right now to Mexico because of the third world wages that are being paid down there. You probably saw the piece in the New York Times last week by Louis Ushetell, a very competent writer.

It was a very carefully written piece about the fact that the sophistication of the manufacturing base now in Mexico is such that we're not talking about just losing low-end jobs that one thinks of as moving to a third world economy with third world wage rates. We're talking about a highly sophisticated state-of-the-art plant operation down there where we're losing tens of thousands, and in fact hundreds of thousands of jobs.

We just had a case, for example, where Smith Corona in Up State New York was one instance of a firm closing because of trade cheating, which wasn't addressed by our government, and taking their production down to Mexico because that's the only way they saw to survive in terms of their profit problems.

We have now over 70 plants of Ford, Chrysler and GM that have gone to Mexico, and I have absolutely no doubt about the fact that a free trade agreement with Mexico will mean more plants down there rather than less. Now there is a big debate going on about this and a lot of propaganda money being spent, but the problem is we've got a jobless recovery for the most part going on in this country and more and more an erosion of the job base for a variety of reasons, but trade cheating being a significant part of it.

So I would like your assurance that as we get into the issue of discussing these trade problems that we would deal with financial services because that has been an issue that this committee has taken a lead on, but I would hope that it would go much more broadly than that and get into these other trade matters where clearly there is a pattern, a long-standing and persistent pattern of difficulty. Can we expect that that will be the case?

Mr. SUMMERS. Senator Riegle, for my part let me just say that if I am confirmed into this position I would take as a very important part of my responsibility involvement in the Government's interagency process in the trade area.

As you mentioned, the Ambassador has to take the lead on that, but these are a set of issues in which I would be very much en-

gaged. And I would also just say that given his background as Chairman of the Senate Finance Committee I think we can expect that the Secretary of the Treasury will be extensively involved in these issues as well.

The CHAIRMAN. Let me just say one thing. We're going to put the bill back in on fair trade and financial services. We're going to have a hearing on it here, and I would very much like you to come and testify in behalf of it. So let me just state that now so that you'll know that.

Senator D'Amato wanted to make a comment.

Senator D'AMATO. Doctor, let me ask you, did you really win a research prize, a grant for \$500,000?

Mr. SUMMERS. The money was for research, and the money went to Harvard University because I did.

Senator D'AMATO. I am impressed.

Mr. SUMMERS. Yes, I was very honored that the National Science Foundation awarded me that prize.

Senator D'AMATO. Do you have time to do anything else other than write and publish? You are prolific.

Mr. SUMMERS. Thank you very much.

Senator D'AMATO. This is absolutely incredible. I mean it's a good thing you write so much. No one can read all these articles to make a critique on them.

Mr. SUMMERS. I have had some experiences where some people have read certain things I have written, Senator, that have led me to think that in at least one case I would have preferred to have been associated with a little less writing.

Senator D'AMATO. I have to tell you I'm impressed by the areas that you have touched, not only in your verbal presentation, but in the material that you have submitted.

Mr. SUMMERS. Thank you very much.

Senator D'AMATO. And I join the Chairman in urging that we take a position that amounts to a call for fairness in implementation of policies, even if it is done, as you have indicated and the Secretary has indicated, behind closed doors so as not to embarrass people, but rather to achieve results, it is extremely important.

It's important to the psychology of having any agreement that has a public confidence that they see that not only do we put the protections in the law, but that they are adhered to and that they are not given waivers and that we don't have any company come in and make a case that they all look the other way and have our own, because you know many of the policies as it relates to trade and looking the other way as it relates to enforcement take place as a result, or have taken place historically as a result of some of the Fortune 500 coming in and doing business with various concerns abroad almost becoming lobbyists on behalf of those governments because they want to maintain their relations and their good profitability in the countries that they do business with.

It's just not some foreign corporation or Government. Sometimes it's our own people who have their own greed and look for their own improvement do it at the expense of overall policy, and people become angry and disturbed.

I have to tell you coming from New York there are a number of people in the financial community, I can't even raise their names

because otherwise they become targets, but who are concerned about being shut out unfairly in the financial marketplaces of countries abroad. I won't be any more specific, but I am very encouraged that you have touched on that area. You obviously are aware of the concern of the Chairman.

I want to join him in commending your attention to that and hope that we can call upon your leadership and your intellectual acumen and knowledge in this area to be an advocate for fairness. I look forward to working with you, and I thank you for coming today and also Senator Moynihan, my distinguished senior Senator and Senator Bentsen for making you available. I hope that we will have the opportunity to work together in the future to deal with some of the inequities.

And I thank the Chairman for giving me the opportunity of making those thoughts to the distinguished Under Secretary to be.

Mr. SUMMERS. Thank you very much, Senator D'Amato, and I'm confident that if I am confirmed I will be back here before too terribly long.

The CHAIRMAN. Let me raise with you a matter that the President addressed in his press conference the other day. You're probably familiar with this, but let me just take you back through it.

Before Senator D'Amato gets distracted here, this is about the MPV issue, which you've given great leadership to in the Senate, and I have as well. So this is an issue that matters a lot to the two of us and a good many others.

The President was asked a question in his press conference this week on that issue, as you may know, on the MPV tariff issue. I won't repeat the question, but I will put it in the record so it's there and the full text of the President's answer.

He was asked by the reporter if he had changed his mind on the subject because he had expressed himself in the campaign that he was upset about the MPV issue and the way that tariff classification had been changed by the Treasury Department overruling the Customs Service.

And let me tell you what the President said, and I do want to read this into the record because you are here as his nominee.

He says:

No, I haven't changed my mind on that subject. That issue is now under review along with a number of issues relating to our trade relations with Japan. Let me just say this. I had hoped and still hope to engage the Japanese Government in an ongoing dialog across the whole broad range of these issues. If you look at the history of American trade relationships, the one that never seems to change very much is the one with Japan.

Now this is the President talking.

That is we're sometimes in a position of trade deficit, but we're often in a position of trade surplus with the European Community. We once had huge trade deficits with Taiwan and South Korea, but that has changed now quite a bit. They move up and down. But the persistence of the surplus that the Japanese enjoy with the United States and with the rest of the developed world can only lead one to the conclusion that the possibility of obtaining real even access to the Japanese market is somewhat remote. And I was and I will say again I was astonished that the Bush administration overruled it's own Customs Office and gave a \$300 million a year freebie to the Japanese for no apparent reason and we got nothing, and I emphasize nothing in return. So, no, I haven't changed my position about that. I did hope, you know, to put it in the context of a larger set of trade issues to be raised first with the Japanese government before acting unilaterally, but my own opinion about that has not changed.

That's a pretty strong statement from the President, and it's quite current. It was said this week. Do you agree with this?

Mr. SUMMERS. I support the President's policy and will participate in the review that he referred to in that statement.

The CHAIRMAN. Why do you suppose he is upset about it?

Mr. SUMMERS. I would hesitate to try to describe his motives, but the statement points up a very clear and continuing problem of Japanese trade surpluses, and particularly one that raises concern in light of the fact that they're expecting an increase over the next year or two.

The CHAIRMAN. I think there is a tendency in academic circles to take a dive on these issues, if I may say so very bluntly. The time I spent at the Harvard Business School working in the doctoral program there and going over to the other side of the river and doing some work there, I think there is a large gossamer view of these trading relationships, and most of the people who argue for free trade when we don't have a lot of free trade, quite frankly, are people that are well insulated from it and don't take it on directly.

I've often felt, for example, that if newspaper columnists and editorial writers were directly threatened today by 75 cent an hour editorial writers down in Mexico that the first group that would be at my door trying to tear the door off the hinges to get in and complain about the NAFTA agreement would be the editorial writers. But they feel quite insulated from that kind of price competition in their line of work.

So they take quite a different view than I think I've seen other times when I've had newspapers come in, for example, seeking joint operating agreements so they would haven't compete with another newspaper across town. They've asked for a Government monopoly to prevent that from happening because the competition from the newspaper down the street was too intense, let alone third world wages from a competing country, whether it be Mexico or some other country.

I've found those kinds of contradictions, but I detect in what the President says here some strong feeling about this problem. I hope you have the same strong feeling, because if you don't, then I think you need to review the problem because you're going to have to do something about this.

I mean you have an opportunity as a representative of this administration in this position to get out on the front line and do something about this and not be bashful about it, and I really expect that to happen.

Now having said that, I think I know enough about the world from which you come that if you're very hard nosed about these issues, some of your close friends back at Harvard and other places are going to say what happened to Larry Summers, you know, he used to be one of us and he used to be part of the mantra of free trade and so forth, and all of a sudden he is out there being very tough with the Japanese.

I hope you're not going to have a problem with that because the Japanese have no problem being tough with us, and they've had now a trade surplus in the aggregate in merchandise items since 1980 that exceeds \$500 billion and it has really hurt this country.

Now that isn't to say that somebody that goes down to a local retail establishment and buys a low-priced T-shirt that has been imported from another country doesn't think they're getting a bargain, but we can't afford to have another half a trillion dollars run off to Japan over the next decade, and anybody that thinks that anywhere in this country, you know, is working off a textbook that doesn't really have any relevance to the world we're in.

So I hope that you'll find that you can be an aggressive front-line player in terms of carrying out the kind of policy that I think the President is calling for here, and I don't see it as an unfair policy. I think he's saying that we've got to have access to these foreign markets in financial services, in auto parts and in other things and we can't wait forever.

Japan today has an unemployment rate of about 2½ percent. They have just announced a huge infrastructure investment program that dwarfs anything we're talking about in this country and they're doing it all with our money, money that we used to have and we've exchanged for their goods and which they now have. So they're moving ahead.

Unemployment in our country is hovering around 7 percent, but we've got 17 million people that are either unemployed or underemployed or working part time because they can't find full-time work.

So I would hope that you feel very comfortable with what the President has said here and that if you've got to do the down field blocking even with some of your old colleagues that will wring their hands and, you know, express great anxiety at the fact that the President is getting tough with the Japanese on trade cheating. I hope you will feel that you can be pretty outspoken about it. I mean you have a reputation for being blunt and to the point. I like that about you, and I hope you will feel you can be in this area.

Mr. SUMMERS. I certainly intend to be, Senator. As I think you can understand, I am not in a position to preempt the Secretary of the Treasury or the President by saying anything very specific.

I would just say that I think there has been some evolution in the academic community's thinking in this general area in the general direction of the views that you would support. The persistence of the trade surplus of certain countries has come as a surprise to some people and it has led them to think seriously about policies that they would not perhaps have gravitated toward some years ago. So I think the divide you suggest between economists and others is less pronounced today than it would have been say when these issues were being debated with some heat in the early and mid 1980's. But I take the measure of what you say.

The CHAIRMAN. I appreciate that, and I think the appointment of Laura Tyson as Chairman of the Council of Economic Advisers, Chairperson of the Council of Economic Advisers is something of an illustration of that. I mean she has taken her share of editorial brick bats for focusing on this problem of these persistent bilateral deficits that don't go away no matter of efficient one may be in a given area, and they don't yield to the economic models because they don't fit the economic models. It's an anomaly because it's a contrived anomaly and it has to be I think addressed and dealt with in that fashion.

I'll just say one other thing about it and then move to a different issue, and that is I got a letter the other day from a man down in Texas with a graduate degree is who out of work and has been now through three different retraining programs and writes a very coherent letter. He was writing in some despair having watched one of the hearings up here saying that he has been through now three retaining programs and still can't find a job.

I'm finding increasingly that retraining is a euphemism. In other words, we talk about, we say we'll take care of the unemployed through retraining, but we don't have any jobs at the other end of the retraining process in sufficient amount to absorb people that are going through retraining, and this job problem is now so serious, the job loss problem and the adequacy of replacement jobs. If you go to California you see it in one form because they've got all of the defense downsizing going on and a lot of financial service people out of work and they are not readily absorbable.

There was a cover story on the front of Fortune Magazine the other day about people who earn from say \$35,000 to \$150,000 a year that have lost their jobs and are now out in that pool of unemployed people and are finding it exceedingly difficult to get back into the work system. In effect no one wants them. They certainly don't want them at the skill level that they have achieved. So the backward slide down into something else is so dramatic that it's a brand new kind of problem in America and it obviously relates to the international economy and trading pictures as part of it.

I'm finding that up and down the wage scale. In other words, Fortune Magazine zeroed in on that white collar upscale part of the work force, but I must tell you for industrial type workers in States like Michigan there is really a sense of desperation about the ground being eroded out from under people's feet both themselves of they say are in their 50's or 40's and have a good solid work career, and as the plants close as the jobs disappear there really is no replacement work that's anywhere within the range of what they are very skilled at doing.

And even worse in some respects are their sons and daughters who are coming through college now often at great sacrifice and are coming out with good solid academic performance and good credentials that they've earned in that fashion and no one wants them. I mean they're coming out and they are coming out into a relatively barren job landscape.

What I'm encountering for the first time is a kind of disillusionment and bitterness from families that have played by the rules and have worked hard and have sacrificed.

I talked to a woman the other day that has two daughters that have just graduated from two very good universities in the State of Michigan, both of whom are unemployed. One was trained as a teacher and the other was trained in another professional field. Neither can find work even though they had outstanding academic records. They were participating in outside activities, and the family has gone through the sacrifice to get them through, and the mother is feeling a real sense of disillusionment about what is happening to our country and what the future holds.

I don't think we've got a lot more time that we can afford to be in the wheel spinning phase in terms of figuring out how we get job growth going.

When you look around the world right now and you look at the softness of the economy in Canada, for example, and obviously it has taken its toll on Brian Mulroney who has decided he is not going to run again. It's not the only factor at work. A lot of people up there by the way don't like the Free Trade Agreement between ourselves and Canada.

You look in Europe and you see a lot of job softness there and pretty much around the world. I know when John Major was here he apparently said to the President that he hoped that he would hang tough for a stimulus program because they would like to see our economy at more buoyant level to help them try to work their way out of some of the weakness in their situation.

Can you give me an assessment as you look around the world now just of the world economic picture and the degree to which we are getting lift or not sufficient lift and sort of take it in whatever summary works best for you and how you see the world economy going these days and how that relates to where we are in this semi-recovery, and certainly not much of a jobs recovery and where you see us going over say the next six months or 12 months.

Mr. SUMMERS. I must just make one domestic observation and then an international observation. You referred to the problem of workers who were retrained still not able to get jobs. I think that's why the kind of stimulus package that is included in the President's plan is so important as a complement to longer term structural measures. It's absolutely critical to train people, but unless the jobs are there it doesn't serve a purpose. So we need to be sure that we have the demand as well as the supply and that they go together.

Some of the research that I had done earlier that Senator D'Amato referred to earlier was directed at highlighting the significance of the problem of long-term unemployment and in particular highlighting the aspect that in many ways jobs are like a forest. You can cut it down very quickly, but it takes a long time for it to grow itself back, and that points to the importance in maintaining demand.

As far as the world economy is concerned, there are serious economic problems everywhere, but in the United States we at least have a recovery underway, and there is some evidence that that recovery is gathering a bit of steam.

In Europe prospects for growth are much weaker. Real interest rates are at very high levels. Some countries are caught in debt traps where on the one hand their economies are weak and on the other hand they have very large budget deficits, far larger than ours. It's very difficult for them to engage in fiscal stimulus, so the problem is very serious. The European growth looks to be very slow this year.

The Japanese economy is still working off the financial strains that were created by the bubble economy of the late 1980's, so demand growth in Japan in the past has not been as strong as we would have liked it. The Japanese economy has not grown as fast as was forecast, and some private forecasts for this year point to-

ward quite minimal growth in Japan. Other forecasts points toward more modest growth for Japan.

But there is no question that in Europe and in Japan over the next year the growth of demand will be less rapid than the growth of potential to produce goods and services, and that raises questions about employment in those countries. It suggests the importance in terms of growth in world markets of measures to increase the rate of growth in those countries, and that's something that is discussed very actively in these various fora for G-7 macro-economic cooperation.

The CHAIRMAN. If you take what you've just said, which I think is very important with respect to Europe and Japan, where they are and what their prospects are out as far as we can see, are there other areas of the world that are poised right now to be significant economic engines for growth that you can comment on, or what do we find in the other areas that are certainly not of the size of Japan and Europe in terms of where they are and the degree to which they can pull the train?

Mr. SUMMERS. The economies of East Asia continue to grow very, very rapidly, perhaps slightly less rapidly than they have in the recent past, but still—and I don't have the figures in front of me—in many of the countries in excess of five percent. So their economic scale is increasing. The Chinese economy has in the recent past enjoyed very, very rapid growth.

In Latin America growth has been increasing year by year after a very, very difficult period in the 1980's, but it is still not up near the level that was reached in East Asia.

In Africa there are encouraging signs in some countries, but the situation remains very difficult.

The CHAIRMAN. If you take it all, I mean if you take the brighter spots and you take into account their relative size in terms of the world economy, how much economic train pulling capacity globally is there coming from those areas?

Mr. SUMMERS. Not as much as there should be because the lion's share of the world's output is still produced in the industrialized countries. With Japan relatively weak and Europe relatively weak compared to where we would like them, there is not the kind of growth that we would like to see or that the developing world would like to see because slow growth in the industrialized world inevitably has a strong impact on growth in the developing world.

That's why it is so important in this period leading up to the Tokyo Summit that nations work to develop coordinated strategies of growth and for job creation.

The CHAIRMAN. Now some people assert that if you look at it in a chain of events way that Germany is maybe the most critical player. I mean the Japanese are trying to do some fiscally expansive things now. They've got a big infrastructure program they have announced and they are doing certain other things. They are in a better position than most to try to do some things.

Would it be your view that a further reduction, I mean I realize there are problems in getting it to happen, but if there were a further reduction in German interest rates would that be one of the events that could trigger follow-on events that could start to provide more global economic lift?

Mr. SUMMERS. Lower interest rates in Europe could of course make an important contribution to global growth. Part of what is important is laying the structural preconditions for lower interest rates through reduced budget deficits and through settlements that offer the possibility of reasonably restrained rates of inflation. But there is no question that lower interest rates in Europe are part of where we want to go.

The CHAIRMAN. I'm all for the President's stimulus package, and we've just, as you know, reported out the budget document and now we're moving on the stimulus package and we're in something of a debate on that right now on the Senate floor.

I would be in favor of even a bigger package. That happens to be where I'm coming from. Leaving that aside though, the effort that we're trying to move in that direction, if we don't get the rest of the world in more of a growth upswing here, to what extent does that really hem us in in terms of what we can hope to accomplish within our own economy?

I mean it seems to me that one of the things that is a fact of life in 1993 is that you really do have a global economy, and while we've got our own problems that we're trying to deal with and adjust to and a new administration with a change strategy, and I think a much better strategy, that we're still having to function within the pattern of these global economic circumstances which is really your purview and which you've just commented on. But doesn't that really limit at least for now the degree to which we can expect to get a strong expansion in this country unless we start to see something that is more encouraging on the international scene?

Mr. SUMMERS. Senator, greater global growth is very important and it makes a big difference by increasing our exports. It's something that we have to do all that we can to bring about.

I would emphasize in thinking about the economic outlook ahead, in addition to the global picture, the fact that long-term bond yields have fallen by nearly a full percentage point since the election. That decline has reflected the rising awareness and rising assessment that it was likely that there would be the kind of plan that the President ultimately proposed. That proposal, with movement in the direction of fiscal consolidation in the long run has been associated with this quite substantial decline in interest rates.

Nobody can give a precise estimate of how much each one basis point reduction in interest rates means for extra demand, but I would suggest that if you consider the stimulus to the housing market, the stimulus to the stock market and the stimulus in terms of reduced corporate borrowing costs then that reduction in interest rates has had a very substantial effect and probably a larger effect than anything that anybody would talk about in the context of a direct debate over fiscal stimulus.

The CHAIRMAN. I'm inclined to agree with that, and I think it's very difficult, as you say, to track it through in a time series 6 months, 12 months, 18 months into job creation and other kinds of things because we're not all that skilled at measuring that right now and I hope we'll see a lot of that.

Can you tell me from memory when we were in the middle of the 1930's in a depression what long interest rates would have been roughly?

Mr. SUMMERS. Very low.

The CHAIRMAN. Two percent, 3 percent?

Mr. SUMMERS. I don't know precisely, but very, very low, although at that point, for a significant part of that period, we were in a period of deflation. So real interest rates were extremely high.

The CHAIRMAN. We've been going through a period of deflation here in certain categories of the economy.

Mr. SUMMERS. Absolutely.

The CHAIRMAN. We've been going through a big deflation of real estate values and a lot of other things that have deflated in effect. I want lower long-term rates, too, but I think it would be fair to say that there is a flip side to low long-term rates. You can start to bring your long-term rates down also because you get an economic sickness going that isn't being corrected. So you can end up in the end if you take that path of getting interest rates that are very low because you've got an economic paralysis occurring.

I'm not saying that's where we're heading, but I think the risks in the picture today are of a scale and of a sort that I don't think we've seen in contemporary times, and it has been very interesting as Alan Greenspan has come in here to testify and before the Finance Committee also just this last week that he has said a number of times in different forums but essentially the same words that there is this extraordinary new set of economic conditions that the Fed itself has had a very hard time of making sense out of. It's one of the reasons they adjusted monetary policy 23 times to try to get a policy that seemed to be working.

He seems to feel a little better about it now, but it has been quite a long period of time and he has been frank to say that, you know, things they've done in the past which had a certain effect they've tried this time around and it didn't have the same effect. So they been kind of trying to feel their way to an effective policy and it has taken quite a long period of time. I think George Bush and Nick Brady, wherever they are today, think it took too long from their vantage point, but be that as it may.

I'm concerned that we've got to get some lift into this situation, and I couldn't agree with you more. The President's stimulus package, I think we need every dime of it. If anything, it's probably smaller than it needs to be in terms of the issue of how do you get private sector job growth going and get some economic engine train pulling capacity underway here.

Let me move to another area. Lester Thoreau, a colleague of yours up in Cambridge, he has appeared before the Senate Banking Committee a number of different times, but he was here and he commented, and this was last July, on the free trade agreement with Mexico, and let me just give you his quote.

He said:

I think the free trade agreement with Mexico makes sense if we're willing to do one thing, have a massive reeducation and retraining program for the worst educated one third of Americans, because if you don't, they are going to take the biggest wage cut you have ever seen, because in a world of free trade the bottom third of the American population will have to work for Mexican wages because they aren't more skilled than Mexicans.

He went on in that vein and we talked about it for a period of time.

Do you agree with that?

Mr. SUMMERS. In terms of the full scale of that remark, that a third of the wages of American workers would approach Mexican workers, that frankly does not strike me as a realistic prospect in the near term.

I do believe that the concern that is being expressed is a very important and serious one, and that's why in connection with the NAFTA the President has put emphasis on a side agreement affecting labor standards. The President has made clear a commitment to greatly increase investment in people, and in particular in those who are dislocated in order to make sure that this works out for the best.

I think that the analysis, when it is put so starkly, leaves out a very important thing, which is the jobs that are created by the increased exports to Mexico. Those jobs are also good jobs and in many cases they are better jobs than the jobs that are lost.

So I don't think this is a question that can be approached academically by saying that free trade is a good thing and therefore free trade agreements are a good thing. It's a question that has to be approached pragmatically. But I believe, as the administration believes, that it is possible to craft a good NAFTA and a NAFTA that will help American workers of all kinds.

The CHAIRMAN. So do I take that to mean then that you think these side agreements that the President has talked about are really critical to having something that can work?

Mr. SUMMERS. The President, the Ambassador and others in the administration have made clear the importance they attach to the side agreement negotiations, and I share that view.

The CHAIRMAN. Do they have to be enforceable?

Mr. SUMMERS. They have to be effective. They have to be effective in serving the objective of protecting American workers and protecting the environment. I'm not in a position to preempt others by talking about the specifics of the negotiation.

The CHAIRMAN. Are you aware of whether there are any provisions in the current NAFTA agreement dealing with restrictions on currency devaluation which is really in your bailiwick?

Mr. SUMMERS. To my knowledge, there are no provisions that explicitly address currency depreciation. There are safeguard provisions in the NAFTA that would address the question of substantial increases in the flow of exports from one country to another, such as some people might worry would follow an adjustment to an exchange rate.

The CHAIRMAN. Well let me ask you this question because I think this is a real risk, and that is let's say we go ahead and adopt the NAFTA, and then the Mexicans devalue the peso by 20 percent. What would the effect of that be?

Mr. SUMMERS. Devaluations have competitive effects. I would look at it a different way though. One of the very important considerations that influence exchange rates is the flow of capital. The flow of capital into Mexico which sustains an exchange rate and potentially sustains an even stronger exchange rate is closely related to the business opportunities that are created by the NAFTA. So

the concerns about the Mexican exchange rate, it seems to me, would potentially be more serious without movement forward in a NAFTA negotiation.

The CHAIRMAN. A lot of people around who follow this closely are concerned that we could see a situation where we cut this deal and you would see a devaluation of the peso, and all of the sudden what was negotiated on one basis has been undercut and you have a situation where you've really destabilized the agreement with currency changes, and I would assert to you that we've had this problem and our own Government has ascertained that we've had this problem with Communist China where they have played the currency game in order to manipulate trade activity.

Mr. SUMMERS. Certainly it's something we'll need to look into very carefully as part of the Treasury's process of examining international policies in general and exchange policies in particular.

The CHAIRMAN. Well I think you've got to do more than that. I think you've got to do it with respect to NAFTA. I mean NAFTA is the thing that's coming right down the track at you, and there has got to be an answer in the context of NAFTA as to what happens here if we find ourselves locking in an arrangement on one basis and then all of the sudden a change comes in an area where it's really your area of responsibility and nobody has taken that into account and there were no arrangements or understandings and all of the sudden we find that, you know, we get a fault line change that could be very hurtful to this country and very hurtful to the job problem that we already have here.

So I want to talk further with you about that because I see that as a real risk, and I don't think it has been one that has gotten into the center of the radar screen because I think we tend to be too casual about these things. I think as a system we tend to be very casual about the other guy's job. We get quite focused about it when it's our job, but when it's somebody across town or somewhere else, you know, that's the way the system works. That is a real problem for us and something we're going to have to deal with.

Secretary Bentsen when he was at his confirmation hearing was talking about this issue of free trade and financial services, and he said, and I'm quoting him:

The touchstone of our trade policy, including international negotiations on financial services, is that we must demand reciprocity.

Is that your view as well?

Mr. SUMMERS. I support the Secretary's views and will look forward to supporting him in carrying out the policy of assuring that our firms are able to compete fairly in foreign financial markets.

The CHAIRMAN. Well I'm glad you will and I would expect you would, but quite apart from supporting his view, is that your view separate from his view?

Mr. SUMMERS. My views are the same as his views on this question.

The CHAIRMAN. All right. I mean not just because they are his views, but you have the same views.

Mr. SUMMERS. I'm in full agreement with the Secretary on this question.

The CHAIRMAN. Let me just take a minute on China. In May and December reports on international economic and exchange rate pol-

icy delivered to this committee the Treasury Department declared to us that China is manipulating its currency to gain trade advantages in the United States.

In light of that formal finding by an administration, if anything, that was sympathetic to that government I think by a number of yardsticks, why should we continue to give most favored nation trading status to China given that recent record?

Mr. SUMMERS. I would prefer to reserve judgment on that, Senator, until we have completed the review which is due to this committee sometime within a matter of a month or two and I have had a chance to familiarize myself in more detail with those issues.

The CHAIRMAN. I can appreciate that and I'll accept that, but having said that isn't a little troubling to you that our own Government is finding currency manipulation in this situation and yet we're so supine that we say well even though we've been able to nail down the currency manipulations bloating the deficit and sucking jobs and capital out of this country, you know, let's go back for more?

Mr. SUMMERS. I understand the concern, but, as I said, we're looking at the question afresh of exchange rate manipulation in any country that might practice it and we will be coming up here with a report before too long. In that context I think we'll be in a position to address the MFN issue.

The CHAIRMAN. I don't know if you're familiar with the current draft of the GATT agreement on financial services, but our reading of it is that it would lock in open access to our market from foreign financial firms, but it really does nothing to enhance our access to some of the highly restricted foreign financial markets, and just to mention three, Japan, Korea and Taiwan clearly fall into that category. Is that your sense, and can we get some assurance that that's going to be changed before a GATT agreement is sent up here?

Mr. SUMMERS. We're not satisfied with the way those negotiations are at present and that's something we're going to be working very hard on, and I would think it crucial that whatever we do in the GATT is something that is consistent with getting much more progress on liberalization in those financial market than we've had so far.

The CHAIRMAN. Let me just raise one other thing with you, and I appreciate the time this morning and your patience. We had other things to have to deal with in the committee this morning.

As Under Secretary of the Treasury for International Affairs you'll oversee United States participation in the World Bank and other multilateral lending agencies. Throughout the multilateral negotiations in the Middle East peace process the parties have agreed to initiate many studies on regional problems. However, few if any of these studies have been conducted due to a lack of funding and because the parties to the peace process have had trouble resolving political disputes on how even to implement the studies.

World Bank involvement in these studies would help remove I think some of the political road blocks and I think shift the focus of the studies to the substantive technical issues, such as addressing regional problems of the Middle East, things like water problems, natural resource development and environmental problems,

and I think these goals coincide well with our own foreign policy objectives. Would you favor increased World Bank involvement in funding studies associated with the Middle East peace process and, if so, how might we bring this about?

Mr. SUMMERS. Senator, this is not an issue that I have any familiarity with at all. Listening as you describe it, it sounds like a valuable thing that could make a contribution, and I will pursue it. I will pursue the situation with the World Bank.

The CHAIRMAN. I appreciate that. I appreciate the fact that you will.

Let me just conclude and sum up just for a minute here in terms of where I think we are. I think you bring an extraordinary record of training and study and analysis to this job, and I think you can have a big impact on policy and I expect that you will have and you should have. We need to have you have such an impact.

The areas that fall within this committee we're going to work on with great intensity. We had some considerable difficulty doing that in the previous administration partly because of attitudes held by that administration and it was often like pulling teeth even when problems were manifest and needed to be dealt with.

So we're going to be very hard at work as we have a lot of lost time to make up for in terms of issues in that area, and there are a number of other areas that I've not touched on today that I don't think time really permits my doing in a way that would be appropriate to today's hearing.

But I want to say to you again with the greatest intensity that I can muster that in the country today right now going back through the election and at the election time what I think people are trying to say with their votes and with their votes for change is there is an enormous anxiety out there about the economic future because everything has been destabilized.

We've touched on some of the elements now, but we're in a global economy and there are an awful lot of people that are sliding backward no matter how hard they work or how much retaining they get or what-have-you, and reversing this is going to be extremely difficult partly because we let it go for a long time, and we've got a plan out there now which I support to try to do that and I applaud the President for steering into the problem and developing and economic plan for America. Prior to this year we've had an economic program for every country in the world except one, namely, our own. Now we've got a new President with a plan for America.

I'm very concerned about the absence of job growth and I don't see that problem yielding at any time soon. I went down last week on Friday to meet with the Labor Secretary to talk about it because when you take it by 6-month time blocks or 1-year time blocks from today and go out in time it's very difficult to see sector by sector in the economy where these jobs are going to come from, particularly when you wrap the world economy around it and how soft that is generally speaking.

I don't know how your mind works in terms of the control lights and where the red flashing lights are that have to go on to say this is an urgent problem that we really have to do something about. I would like to try in whatever way I can to get the red flashing lights to go on with respect to this fundamental problem of job ero-

sion and income standard erosion in this country and the need to reverse that now and to do everything that it takes to get that done in our international relationships, in our domestic relationships and the discipline that we apply to ourselves because I don't think we have the luxury of time or public patience.

When I look at the problems of the growth of the underclass in this country it's just breathtaking as to what is happening. We have more people on food stamps in the United States today than we've ever had in our history and this is after blowing up the deficit by some number of trillions of dollars over the last decade. So it's not as if we haven't added "some fiscal stimulus."

The city of Detroit, the largest city in my State and the eighth largest city in the country has the highest poverty rate among children of any city in America and it's getting worse and not better.

The same thing with homelessness. We've got a terrible problem in that area. Most of our homeless, by the way, percentage-wise are veterans. So they are people that have skills and have served our country as recently as in Desert Storm. I saw two veterans of Desert Storm the other day interviewed who were homeless, unemployed living in cardboard boxes here in the District of Columbia, and they are very bitter and understandably so, and I'm bitter about it.

So what I would urge from you because I think you bring a lot of intellectual gifts and strength to the administration and I'm pleased you're willing to serve in a demanding job. I know you have two young children that are twins and your wife is expecting again, and I congratulate both of you on that. There are people out there right now that are really in desperate circumstances and can't wait any longer and they are on the outside looking in and they feel written off.

Today sociologists who go out and try to talk to inner-city youth, they are finding that a lot of them that they talk to don't expect to live beyond the age of 25 just because of the level of violence and hopelessness that has built up in that setting.

I don't think we have a lot of time to work with here. Somebody has got to get very aggressive and somebody has got to decide that there is need for great force to be put into these policies.

I know our international friends have problems of their own to solve, and I certainly understand and respect that. But we have kind of tilted the balance I think for quite a long time to be helpful to others. We've carried most of the free world defense cost burden and we did most of the heavy lifting in the Desert Storm operation, and I think it's time that we really concentrate on getting things lifted in this country.

I hope that will drive every policy effort that you're part of, because if it doesn't come back in some way starts to improve the quality of life in this country in the sense of better prospects and start moving on a broad base our people up to higher ground, then this administration will not succeed.

Mr. SUMMERS. I recognize that the primary responsibility in American international economic policy is to assure a more prosperous American economy for everybody, especially those who have been left behind for the last 12 years.

It is an appalling commentary on where we have allowed ourselves to get to that a child born in New York is more likely to die before the age of one and less likely to learn to read than a child born in Shanghai.

There is a great deal that we have to do at home, and I think the President's program makes a very important start on doing those things. Of course we need to assure on the international side that the prospect for export growth is there and that there is the assurance that the economic energy of our people is not sapped by unfair practices of our competitors.

The CHAIRMAN. I appreciate that statement and I appreciate your willingness to serve and look forward to working with you.

Mr. SUMMERS. Thank you very much.

The CHAIRMAN. Thank you.

The committee stands in recess.

[The committee recessed at 12:25 p.m., subject to the call of the Chair.]

[Additional material supplied for the record follows:]

PREPARED STATEMENT OF SENATOR ALFONSE M. D'AMATO

Good morning, Mr. Duvernay, Ms. Nolan, and Dr. Summers, I would also like to welcome all of you to the Committee and congratulate each of you on your nomination. I look forward to working with each of you in addressing the housing, community development, and economic needs of our Nation.

And the needs of our Nation are great, especially in areas over which HUD has jurisdiction and responsibility. In my view, HUD Deputy Secretary is one of the most critical positions in the administration. Mr. Duvernay, you must be able to bring organization and leadership to HUD if the agency is to meet its goals of providing a decent place to live for the homeless, empowering the poor to have a stake in their future, and restoring the dream of home ownership for families across the Nation.

Mr. Chairman, to create housing and home ownership, to provide economic opportunities and to achieve a drug free society, HUD must work closely with Congress, public officials, and community groups. Mr. Duvernay, working together, I believe we can improve the quality of life of our citizens—how they live and how they work.

Ms. Nolan, you also have an important task ahead of you as Assistant Secretary for Public Affairs. You will be responsible for providing the American people with accurate and timely information about HUD's programs. Your responsibilities will include building public support for HUD's important programs and restoring confidence in HUD's operations and mission.

Mr. Chairman, also before you this morning is Lawrence H. Summers, the nominee to be Under Secretary of Treasury for International Affairs. While the Finance Committee must confirm you, Mr. Summers, I appreciate your appearance here today. This Committee has jurisdiction over many important programs and agencies falling within your area of responsibility. Your credentials and experience are impressive. I believe you are well equipped to address economic problems of enormous complexity in a rapidly changing world.

PREPARED STATEMENT OF SENATOR CAROL MOSELEY-BRAUN

Mr. Chairman, I am pleased to be here this morning as the committee considers the nominations of Terry Duverney and Jean Nolan to be, respectively, Deputy Secretary and Assistant Secretary for Public Affairs of the Department of Housing and Urban Development. I am also pleased that the nominee for the position of Under Secretary of the Treasury, Lawrence Summers, is appearing before the committee. I know his nomination was referred to the Finance Committee, and that the Finance Committee has already reported it to the Senate floor for action. While the Banking Committee will not be acting officially on the nomination, given the range of Banking Committee jurisdiction activities the Under Secretary for International Affairs is involved in, it is important that this committee have an opportunity to hear from Mr. Summers.

All three nominees are being considered at a critical period for our country. Two HUD nominees and a nominee for Under Secretary of the Treasury for International Affairs may not seem to have much in common, but both Departments will be pursuing the same objective—getting our country moving again.

HUD's efforts will be concentrated in the area of urban and housing policy, while Treasury's international affairs efforts are concentrated in the area of international economic coordination, but both Department's policy goals are to improve opportunities for Americans.

Bringing economic growth and development to our distressed urban areas will help our economy, and improving international economic coordination will also help stimulate economic growth here at home. I therefore look forward to hearing from all three nominees, and what they think about the challenges they will be facing.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Duvernay (LAST) Terrence (FIRST) Roger (MIDDLE)

Position to which nominated: Deputy Secretary Date of nomination: 3/5/93

Date of birth: 29 01 43 (DAY) (MONTH) (YEAR) Place of birth: New Orleans, Louisiana

Marital status: Married Full name of spouse: Alma Griffin Duvernay

Name and ages
of children: Danielle Monique Duvernay, Age 24
Terrence Roger Duvernay, Jr., Age 19

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	<u>Dillard University</u>	<u>9/60 - 6/64</u>	<u>B.A.</u>	<u>6/64</u>
	<u>*Tuskegee Institute</u>	<u>6/64 - 8/64</u>	<u>Certificate</u>	<u>8/64</u>
	<u>Tulane University</u>	<u>9/64 - 6/68</u>	<u>None</u>	<u>---</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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*Special Program - "Project Cause" - Sponsored by U.S. Department of Labor

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

NIH - Fellow - Tulane University
National Honor Society - Walter L. Cohen High School
Cum Laude Graduate - Dillard University
"Boss of the Year" - COE Program - Orleans Parish School System
"Who's Who Among American College Students"
Secretary's Special Achievement Award - HUD - 1979

Honors and Awards (Continuation)

Secretary's Award for Excellence - 1980
American Legion Award - 1960
Outstanding Young Men in America
Charter Member Senior Executive Service - 1978
Luther Roberts, Jr. Memorial Award - NCDA - 1989
William A. Ryan Affordable Housing Award - Michigan
Housing
Michigan Public Servant of the Year 1990
Omega Psi Phi Citizen of the Year - Lansing Chapter
Leadership Award National Council of State Housing
Agencies - 1992

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

[illegible]

Employment record: List below all positions held since college, including the title or description of job, nature of employment, location of work, and dates of inclusive employment.

1. Exec. Director - Georgia Housing & Finance Authority - Manage the operations of the State Housing Finance Authority to provide affordable housing to low and moderate income citizens of Georgia.

Atlanta, Georgia - 2/91 - Present

2. Exec. Director - Michigan State Housing Development Authority - Manage the operations of Michigan's State Housing Finance Authority to provide affordable housing to low and moderate income citizens of Michigan. Lansing, Michigan - August 1983 - February 1991.

3. Deputy Director - Democratic Platform Committee - DNC. To assist in the preparation of information and in the management of the Platform for the Democratic Party in 1988. (On leave from Michigan State Housing Development Authority) May 1988 - July 1988

4. Deputy Regional Administrator - U.S. Department of HUD - To assist in the management and operations of the HUD office responsible for the States of Idaho, Oregon, Alaska, and Washington.

Seattle, Washington - November 1981 - July 1983.

5. Area Manager - U.S. Department of HUD - New Orleans Office - To manage the office responsible for HUD activities in the State of Louisiana. New Orleans, Louisiana - July 1978 - November 1981.

6. Acting Exec. Assistant (Chief of Staff) - U.S. Department of HUD Central Office - To assist the Secretary of HUD in the day-to-day operations of Department. Washington, DC - July 1979 - January 1981.

7. Consultant to the Secretary of HUD - U.S. Department of HUD Washington and New Orleans - To work with the Secretary in preparation for managing the New Orleans Area Office.

June 1978 - July 1978.

8. Chief Administrative Officer - City of New Orleans - Responsible for managing the day-to-day activities of City Government.

New Orleans, Louisiana - September 1976 - April 1978.

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

9. Intergovernmental Relations Specialist - President Carter's

Transition Team - To help prepare the transition of the management
unit of OMB from President Ford to President Carter.

Washington, DC - November 1976 - January 1977.

10. Assistant Chief Administrative Officer - City of New Orleans

(And Director, Model Cities Program) - Directed the operations of the
Program Development and Coordination Division, responsible mainly for
Federal programs operated by the City.

New Orleans, Louisiana - January 1973 - August 1976.

11. Deputy Director - Model Cities Program - Assisted in the

management and operations of the Model Cities program which was
responsible for development of three neighborhoods in the City of

New Orleans. New Orleans - October 1971 - December 1972.

12. Assistant Director for Operations and Administration - Model

Cities Program - Responsible for management information systems

and programs operation. City of New Orleans - September 1970 -

October 1971.

13. Planning Associate - Model Cities Program - Responsible for

planning program initiatives in the area of education and social
services. City of New Orleans - May 1969 - September 1970.

14. Assistant Director - Neighborhood Youth Corps - Total

Community Action, Inc. - Assisted in the management of a program
which developed jobs and trained youth aged 16-21 for the world of

work. New Orleans - June 1968 - May 1969.

15. Counselor/Coordinator - Neighborhood Youth Corps - Total

Community Action - Counseled youth and coordinated activities at
various job sites including the delivery of paychecks to student

employees. New Orleans, Louisiana - Summers 1965, 1966 and 1967.

Government
experience:

List all experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

In addition to resume' positions 1-13, I served on an advisory
committee on housing to Mayor Ed Rendell of Philadelphia and as
a volunteer on President Clinton's Transition Team for HUD.

Published
writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Article on Conversion of a YMCA Building into a Homeless Shelter
Nation's Cities Weekly, June 27, 1988

Political
affiliations
and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Michigan Democratic Party

Michigan Democratic Party Black Caucus

Lansing, Michigan Black Caucus - Democratic Party

Deputy Director Democratic Platform Committee - 1988

Worked with Governor James Blanchard's Campaign for Governor -
1986 and 1990.

Political

contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

See Attached

Future employment
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Qualifications

My qualifications to fully serve the position for which I have been nominated are a combination of life experiences, education and a professional life which has been dedicated to public service. That dedication has allowed me service at the non-profit community based level, the local, State and Federal level. In my Federal service I have worked at the local, regional and national levels. Growing up in New Orleans in an inner city neighborhood witnessing first hand what poverty, decay, lack of decent affordable housing can do to human will, I committed then to learn what I could educationally, and to go back and do something about the problem. In college, undergraduate and graduate, I studied sociology so that I could understand how groups of people affected and were affected by society. My desire to work with young students at Total Community Action/Neighborhood Youth Corps to help them acquire job skills and enough money to stay in school, taught me that there is reason to hope, that we can help kids become productive adults.

The Model Cities program experience which allowed me to work in the very neighborhood that first inspired me toward my career of service taught me that planning, particularly bottoms up planning followed by effective implementation could make a difference in the quality of life of neighborhoods such as the neighborhood of my birth, "Central City" in New Orleans. As Assistant Chief Administrative Officer and Chief Administrative Officer of the City of New Orleans, I learned that you must face hard decisions of budgeting and resource allocation and personnel management in an environment of declining resources and still make things work. You must deliver police and fire services, pick up the garbage, provide health related services, social services, etc., and do so fairly. In my first service at HUD, I learned the Department in the Field, (Area and Regional offices), and the Central Office and arrived at a perspective of HUD that, arguably few others share. I learned from that experience the interrelatedness of things, and the need to insure coordination at all levels to be effective in what the Department does. My work for two Housing Finance Agencies taught me that there are ways to contribute to housing solutions in new creative ways; with new partners and innovative approaches to problems and do so in entrepreneurial ways. In each of the circumstances I reiterated my commitment to serve those in need and by doing so to make the whole of which they are a part better.

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I will comply with OGE guidelines, and I have submitted a personal
commitment letter to the ethics officer at HUD which has been approved
by HUD and by the Office of Government Ethics.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

Testimony before Congress - following dates and subjects:

March 2, 1988 - Committee on Ways and Means/Subcommittee on Select Revenue Measures, Low Income Housing Tax Credit Program

June 7, 1989 - Senate Committee on Banking, Housing and Urban Affairs/Housing and Urban Affairs Subcommittee, Presentation on the HOME Corporation-Housing Opportunities Partnership Provisions of the National Affordable Housing Act

April 10, 1991 - Committee on Ways and Means, Mortgage Revenue Bond Program

(SEE ATTACHED CONTINUATION LIST)

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Civil, criminal and
investigatory
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

In 1980, an inquiry was made concerning my travel from Washington to New Orleans in conjunction with my employment as Area Manager of the New Orleans Office of HUD and Acting Executive Assistant to the Secretary. This was reviewed (investigated) by the Inspector General at HUD and I was completely exonerated.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

Continuation of Lobbying Activities

April 30, 1991 - House Appropriations Committee/Subcommittee on VA, HUD, and Independent Agencies, Support of Full Funding for the HOME Investment Partnerships Program

July 19, 1991 - House Committee on Banking, Finance and Urban Affairs/Subcommittee on Housing and Community Development Government-Sponsored Enterprises

January 28, 1992 - Committee on Ways and Means, Why the Mortgage Bond Program Should Be Made Permanent

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: NOLAN Regina
(LAST) (FIRST) (OTHER)
 Position to which nominated: Assistant Secretary for Public Affairs Date of nomination: 3/8/93
 Date of birth: 25 10 59 Place of birth: Philadelphia
(DAY) (MONTH) (YEAR)
 Marital status: Single Full name of spouse: N/A
 Name and ages of children: N/A

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	Temple University	1977-81	B.A.	1981
	Archbishop Prendergast High School	1973-77	Diploma	1977
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Honorable Mention, 1989 Council on Foundation's Wilmer

Shield Competition Annual Report Competition

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Communications Network, Affinity Group of Council Foundations		1990 - 1992

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1981-1982	Reporter, Inside Radio, Cherry Hill, NJ
1982	Staff Assistant, Real Estate Institute, Temple U., Phila.
1982-4	Reporter, Philadelphia Business Journal, Philadelphia
1984-5	Reporter, Washington Business Journal, McLean, VA
1985-9	Reporter, Housing & Development Reporter, Washington, DC
1989-91	Publications Director, The Enterprise Foundation, Columbia, MD
1991-93	Communications Director, The Enterprise Foundation, Columbia, MD
1993-Present	Special Advisor to the Secretary, U.S. Department of Housing and Urban Development

**Government
experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

N/A

**Published
writings:**

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

As a former reporter and communications professional, I have been published extensively.

**Political
affiliations
and activities:**

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member, Democratic Party.

Political**contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

N/A

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Attached

**Future employment
relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

**Potential conflicts
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None. I will comply with all OGE guidelines,

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I served as an employee of The Enterprise Foundation, which has received funds from HUD.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I worked for The Enterprise Foundation, a 501(c)(3) organization which has taken the lobbying exemption under the tax code. To support the limited lobbying activity of Enterprise, I oversaw communications efforts -- such as news conferences, editorial board meeting, etc. -- to further our public policy and education agenda.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I am providing a letter of agreement to HUD to recuse myself from dealings with The Enterprise Foundation and will comply with all OGC guidelines.

Civil, criminal and
investigatory
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

N/A

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

N/A

Qualifications: State fully your qualifications to serve in the position to which you have been named.

For more than a decade I have been a communications professional; first as a journalist and then as an in-house communications professional.

In my years as a reporter, I covered local issues, particularly real estate, and national issues, specifically affordable housing.

As the communications director of a national foundation, I developed strategies to effectively and efficiently communicate our work to a wide range of communications audiences (Congress, the Administration, philanthropies, business and civic leaders, the media, opinion leaders, staff and board members). My task was to develop the "message" for The Enterprise Foundation and to create activities and products to send that message. I did so through a combination of news conferences, editorial board briefings, special events, educational conferences, publications, and more. I also was responsible for management of the communications staff and for serving as a member of the Foundation's senior management team.

For the last eight years or so I have concentrated my journalism and communications career on affordable housing issues, including activities of HUD.

This combination of experience uniquely qualifies me to lead the communications efforts at HUD. I have:

- developed new strategies for communications, which the agency desperately needs not only to forward a low-income housing and neighborhood agenda for this nation but to reform its own image;
- developed an in-depth knowledge of affordable housing issues and the work of HUD;
- gained a background in the range of communications activity, from media relations and special events to publications, all of which HUD's public affairs division must employ.

In conclusion, my experience, talent and dedication to the field of housing and community development make me a qualified candidate.

RESPONSE TO INFORMATION REQUESTED OF NOMINEES
BY
UNITED STATES SENATE
COMMITTEE ON FINANCE

NOMINEE: Lawrence Henry Summers

NOMINATED FOR: UNDER SECRETARY (INTERNATIONAL AFFAIRS)
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Lawrence Henry Summers
2. Address: 3901 Harrison Street, N.W.,
Washington, D.C. 20015
3. Date and place of birth: DOB: 11-30-54
POB: New Haven, CT
4. Marital status: Married to Victoria Perry Summers
5. Names and ages of children:
Pamela A. Summers DOB: 6/12/90
Ruth P. Summers DOB: 6/12/90
6. Education:
Ph.D, Harvard University, 1982
S.B., Massachusetts Institute of Technology, 1975
7. Employment record:

1/91 to 1/93	Vice President, The World Bank 1818 H Street, N.W., Washington, D.C. 20433
7/83 to 1/93	Nathaniel Ropes Professor of Political Economics Harvard University Cambridge, MA 02138
9/82 to 6/83	Domestic Policy Economist Council of Economic Advisors Old Executive Office Building Washington, D.C. 20500

8. Government experience:

9/82 to 6/83 Domestic Policy Economist
 Council of Economic Advisors
 Old Executive Office Building
 Washington, D.C. 20500

9. Memberships:

Harvard University
 Fellow of Econometric Society
 American Academy of Arts and Sciences
 Executive Committee, American Economic Association
 Brookings Panel of Economic Activity
 Research Associate of the National Bureau of
 Economic Research
 Member of the Board of Advisors, Congressional
 Budget Office

10. Political affiliations and activities:

. Services Rendered:

- Provided private briefings and advice to Presidential Candidate Bill Clinton.
- Served as Economic Advisor to Michael Dukakis.
- Gave advice to Olivia Golden, candidate for Massachusetts Senate, 1986.
- Provided political and economic briefings for Senators Max Baucus, Sam Nunn, John Rockefeller, Tim Wirth, and Congressman Joseph Kennedy.

Political Contributions:

- \$1,000 to Clinton in 1992
- \$1,000 to Dukakis in 1988. (Wife also gave a contribution of less than \$1,000).
- \$1,000 to Olivia Golden (Candidate for Massachusetts Senate in 1986). Wife was Treasurer of Golden's Campaign and gave \$1,000).

11. Honors and Awards:

Alan Waterman Award
 NSF Outstanding Scientific Achievement
 David Wells Prize
 Outstanding Ph.D. Thesis Harvard University Fellow

12. Published Writings:

Author of Two Books -- Tax Policy and the Economy
 and Understanding Unemployment
 Also author of more than one hundred articles --
 see attached resume.

13. Speeches:

I have given numerous speeches over the years on many different subjects to a lot of different groups and from time-to-time accepted payment.

14. Qualifications:

Extensive experience in teaching, writing, and practicing in the general area of macroeconomics and international economics for Harvard University and the World Bank.

Lawrence H. Summers

Office

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
(202) 473-3774

Home

3901 Harrison Road, N.W.
Washington, D.C. 20015

Education

Ph.D., Harvard University, 1982.
S.B., Massachusetts Institute of Technology, 1975.

Employment

Vice-President Development Economics and Chief Economist, The World Bank, 1991-present.
Nathaniel Ropes Professor of Political Economy, Harvard University, 1987-present;
Professor of Economics, 1983-87.
Domestic Policy Economist, President's Council of Economic Advisers, 1982-83.
Associate Professor of Economics, Massachusetts Institute of Technology, 1982;
Assistant Professor, 1979-82.
Associate Head Tutor, Department of Economics, Harvard University, 1978-79.

Professional Activities

Editor	<i>Quarterly Journal of Economics</i> , 1984-90
Editorial Board	<i>Journal of Economic Perspectives</i> , 1986-89
	<i>Journal of Japanese and International Economics</i> , 1986-present
	<i>Journal of Applied Econometrics</i> , 1985-present
Executive Committee	American Economic Association, 1989-91
Member	American Economic Association panel on Graduate Education, 1991
Board of Advisors	Congressional Budget Office, 1988-present
Research Associate	National Bureau of Economic Research, 1978-present
Member and Adviser	Brookings Panel of Economic Activity, 1979-present
Member	National Science Foundation Economics Panel, 1986-88
Consultant	Governments of Mexico, Indonesia, Jamaica, Lithuania
Program Committee	Econometric Society Meetings, 1982, 1984
	AEA Meetings, 1986, 1987

Awards and Fellowships

Distinguished Lecturer, National Science Foundation, 1988
 Alan T. Waterman Award, National Science Foundation, 1987
 (\$500,000 Research Grant awarded to one Outstanding Young Scientist each year)
 Fellow, American Academy of Arts and Sciences, 1987
 Fellow, Econometric Society, 1986
 Presidential Young Investigator, National Science Foundation, 1986
 Fellowship, Sloan Foundation, 1985
 National Tax Association, Outstanding Thesis Award, 1982
 David A. Wells Prize, Outstanding Harvard Economics Thesis, 1982
 Lehman Prize Fellowship, Harvard University, 1978-79
 Outstanding Teaching Fellow in Introductory Economics, Harvard University, 1977

Books

Tax Policy and the Economy (editor), Cambridge: MIT Press, 1987-1990 editions.

Understanding Unemployment, Cambridge: MIT Press, 1990.

- *Reform in Eastern Europe*, Cambridge: MIT Press, 1991.
 (with O. Blanchard, R. Dornbusch, P. Krugman, R. Layard)

Articles: Public Economics

- "Inflation, Tax Rules, and the Long Term Interest Rate"
Brookings Papers on Economic Activity 1:1978, 61-99.
 (with M. Feldstein)
- "Tax Incidence in a Life Cycle Model with Variable Labor Supply"
Quarterly Journal of Economics 93:4 November 1979, 705-718.
 (with L. Kotlikoff)
- "Inflation and the Taxation of Capital Income in the Corporate Sector"
National Tax Journal 32:4 December 1979, 445-470.
 (with M. Feldstein)
- "Inflation, the Stock Market, and Owner-Occupied Housing"
American Economic Review 71:2 May 1981, 429-434.
- "Capital Taxation and Accumulation in a Life Cycle Growth Model"
American Economic Review 71:4 September 1981, 533-544.

- "Taxation and Corporate Investment: A Q Theory Approach"
Brookings Papers on Economic Activity 1:1981, 67-127.
- "Tax Policy and Corporate Investment"
 in *The Supply-Side Effects of Economic Policy*, ed. L. Meyer
 Hingham, MA: Kulwer Boston, 1981, 115-148.
- "The Adequacy of Savings"
American Economic Review 72:5 December 1982, 1056-1069.
 (with L. Kotlikoff, A. Spivak)
- "Dividend Taxes, Corporate Investment and Q"
Journal of Public Economics 22:2 November 1983, 135-167.
 (with J. Poterba)
- "Tax Reform and Corporate Investment: A Microeconomic Simulation Study"
 in *Behavioral Simulation Methods in Tax Policy Analysis*, ed. M. Feldstein
 Chicago: University of Chicago Press, 1983, 247-287.
 (with M. Salinger)
- "The Taxation of Risky Assets"
Journal of Political Economy 92:1 February 1984, 20-39.
 (with J. Bulow)
- "New Evidence that Taxes Affect the Valuation of Dividends"
Journal of Finance 39:5 December 1984, 1397-1415.
 (with J. Poterba)
- "The Asset Price Approach to the Analysis of Capital Income Taxation"
 in *Issues in Contemporary Macroeconomics and Distribution*, ed. G. Feiwel
 London: MacMillan, 1985, 429-443.
- "The Economic Effects of Dividend Taxation"
 in *Recent Advances in Corporate Finance*, eds. E. Altman and M. Subrahmanyam.
 Homewood, IL: Dow-Jones-Irwin Publishing, 1985, 227-284.
 (with J. Poterba)
- "Measuring Income: What Kind Should Be In?"
 in *Conference on the Measurement of Noncash Benefits, Volume 1*
 Washington: U.S. Bureau of the Census, 1986, 8-27.
 (with D. Ellwood)

"Poverty in America: Is Welfare the Answer or the Problem?"

in *Fighting Poverty: What Works and What Doesn't*, eds. S. Danziger and D. Weinberg
Cambridge: Harvard University Press, 1986, 78-105.
(with D. Ellwood)

"A Fair Tax Act That Is Bad For Business"

Harvard Business Review 65:2 March 1987, 53-59.

• "Why Have the Private Savings Rates in the United States and Canada Diverged?"

Journal of Monetary Economics 20:2 September 1987, 249-279.
(with C. Carroll)

"Corporate Capital Budgeting Practices and the Effects of Tax Policies on Investment"

in *Taxes and Capital Formation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 27-36.

"Investment Incentives and the Discounting of Depreciation Allowances"

in *The Effects of Taxation on Capital Accumulation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 295-304.

"Notes on the Tax Treatment of Structures"

in *The Effects of Taxation on Capital Accumulation*, ed. M. Feldstein
Chicago: University of Chicago Press, 1987, 223-254.
(with R. Gordon, J. Hines)

"The Public Policy Implications of Declining Old Age Mortality"

in *Work, Health, and Income Among the Elderly*, ed. G Burtless
Washington: Brookings Institution, 1987, 19-51.
(with J. Poterba)

"Tax Incidence"

in *Handbook of Public Economics, Volume 2*, eds. A. Auerbach and M. Feldstein
Amsterdam: North-Holland Press, 1987, 1043-1092.
(with L. Kotlikoff)

"Taxation and the Size and Composition of the Capital Stock: An Asset Price Approach"

in *Modern Developments in Public Finance: Essays in Honor of Arnold Harberger*
ed. M. Boskin. Oxford: Basil Blackwell, 1987, 61-94.

"Should Tax Reform Level the Playing Field"

in *Proceedings of the 79th Annual Conference on Taxation*, ed. S. Bowers
Columbus: National Tax Association, 1987, 119-125.

- "Tax Policy and International Competitiveness"
in *International Aspects of Fiscal Policies*, ed. J. Frenkel
Chicago: University of Chicago Press, 1988, 349-375.
- "Taxation in a Small World"
in *Tax Policy in the Twenty-First Century*, ed. H. Stein
New York: John Wiley & Sons, 1988, 64-75.
- "Tax Policy, Asset Prices, and Growth: A General Equilibrium Analysis"
Journal of Public Economics 38:3 April 1989, 265-296.
(with L. Goulder)
- "Some Simple Economics of Mandated Benefits"
American Economic Review, 79:2 May 1989, 177-183.
- "An Aging Society: Opportunity or Challenge?"
Brookings Papers on Economic Activity 1:1990, 1-73.
(with D. Cutler, J. Poterba, L. Sheiner)
- "Who Benefits From Capital Gains Tax Reductions?"
in *Tax Policy and the Economy*, ed. L. Summers
Cambridge: MIT Press, 1990, 1-24.
(with D. Feenberg)
- "The Case for Corrective Taxation"
National Tax Journal 44:3 September 1991, 289-292.
- "Taxation and the Structure of Labor Markets: The Case of Corporatism"
Quarterly Journal of Economics, forthcoming.
(with J. Gruber, R. Vergara)

Articles: Macroeconomics

- "Is the Rate of Profit Falling?"
Brookings Papers of Economic Activity 1:1977, 211-227.
(with M. Feldstein)
- "The Labour Scarcity Controversy Reconsidered"
Economic Journal 90 March 1980, 129-139.
(with R. Clarke)

- "Optimal Inflation Policy"
Journal of Monetary Economics 7:2 March 1981, 175-194.
- "The Role of Intergenerational Transfers in Aggregate Capital Accumulation"
Journal of Political Economy 89:4 August 1981, 706-732.
(with L. Kotlikoff)
- "Multiple Shooting in Rational Expectations Models"
Econometrica 50:5 September 1982, 1329-1333.
(with J. Poterba, D. Lipton, J. Sachs)
- "The After-Tax Rate of Return Affects Private Savings"
American Economic Review 74:2 May 1984, 249-253.
- "The Long-Term Effects of Current Macroeconomic Policies"
in *The Legacy of Reaganomics*, eds. C. Hulten and I. Sawhill
Washington: Urban Institute Press, 1984, 179-198.
- "Intertemporal Substitution in Macroeconomics"
Quarterly Journal of Economics 100:1 February 1985, 225-252.
(with N. G. Mankiw, J. Rotemberg)
- "The Strategic Bequest Motive"
Journal of Political Economy 93:6 December 1985, 1045-1076.
(with D. Bernheim, A. Shleifer)
- "Estimating the Long-Run Relationship Between Interest Rates and Inflation: A Response"
Journal of Monetary Economics 18:1 July 1986, 77-86.
- "A Tax-Based Test for Nominal Rigidities"
American Economic Review 76:4 September 1986, 659-675.
(with J. Poterba, J. Rotemberg)
- "Some Skeptical Observations on Real Business Cycle Theory"
Minneapolis Federal Reserve Bank Review 10:4 Fall 1986, 23-27.
- "Money Demand and the Effects of Fiscal Policies"
Journal of Money, Credit, and Banking 18:4 November 1986, 415-429.
(with N. G. Mankiw)
- "Is Increased Price Flexibility Stabilizing?"
American Economic Review 76:5 December 1986, 1031-1044.
(with J. B. De Long)

- "Are Business Cycles Symmetric?"
 in *The American Business Cycle: Continuity and Change*, ed. R. Gordon
 Chicago: University of Chicago Press, 1986, 166-178.
 (with J. B. De Long)
- "The Changing Cyclical Variability of Economic Activity in the United States"
 in *The American Business Cycle: Continuity and Change*, ed. R. Gordon
 Chicago: University of Chicago Press, 1986, 679-734.
 (with J. B. De Long)
- "Debt Problems and Macroeconomic Policies"
 in *Debt, Financial Stability, and Public Policy: a Symposium*, ed. S. Axilrod
 Kansas City: Federal Reserve Bank of Kansas City, 1986, 165-191.
- "Issues in National Savings Policy"
 in *Savings and Capital Formation: the Policy Options*
 eds. F. G. Adams and S. M. Wachter. Lexington, MA: D.C Heath & Co., 1986, 65-88.
- "Finite Lifetimes and the Effects of Budget Deficits on National Savings"
Journal of Monetary Economics 20:2 September 1987, 369-391.
 (with J. Poterba)
- "Why is U.S. National Saving So Low?"
Brookings Papers on Economic Activity 2:1987, 607-642.
 (with C. Carroll)
- "How Does the Market Value Unfunded Pension Liabilities?"
 in *Issues in Pension Economics*, eds. Z. Bodie, J. Shoven, and D. Wise
 Chicago: University of Chicago Press, 1987, 81-104
- "U.S. Competitiveness: Beyond the Trade Deficit"
Science 241:4863 July 15, 1988, 299-307.
 (with G. Hatsopolous, P. Krugman)
- "How Does Macroeconomic Policy Affect Output?"
Brookings Papers on Economic Activity 2:1988, 433-494.
 (with J. B. De Long)
- "The Contribution of Intergenerational Transfers to Total Wealth: A Reply"
 in *Modelling the Accumulation and Distribution of Wealth*
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- "Small World Economics," Oct., 1992
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RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM LAWRENCE SUMMERS

Question 1

On March 16 the Competitiveness Policy Council, a bipartisan group of business and labor created by the 1988 trade bill, issued its Second Report to the President and Congress at a hearing before the Senate Banking Committee. In that report, the Council concluded that America's social ills—drugs, crime, family breakdown and the like—have a pervasive impact on our ability to compete.

Do you think the NAFTA, if approved would worsen these social problems by driving down American wages for the least educated and skilled of our workers?

Answer

President Clinton has said that before he signs any implementing legislation he wants to make sure that workers, the environment, and industry are adequately protected. Appropriately implemented, the NAFTA will support creation of more American jobs.

On March 18, the United States began negotiations with Mexico and Canada on supplemental agreements on labor standards and safety, the environment and import surges which the President called for in his campaign. In these agreements, we are looking for concrete improvements to ensure, so far as possible, that the NAFTA promotes prosperity and social conditions in all three countries. This will help protect all U.S. workers.

The President's Economic Plan provides for education and training of workers, as well as adjustment assistance for workers who have lost their jobs due to trade or other reasons. This will help workers at every education and skill level to adjust to shifting conditions whatever their cause.

Question 2

As you know, the Japanese financial services markets impose serious barriers to United States firms seeking to enter Japan. This is in stark contrast to the ability of Japanese firms to freely enter our markets and compete on a level playing field. For example, United States money management firms are permitted to compete for only a small slice of the Japanese pension market, and not a single United States firm is licensed to manage Japanese mutual funds. What steps would you take to improve the United States investment management industry's ability to compete in Japan?

Answer

Access to Japan's financial markets has long been a problem for foreign financial services firms. This is particularly the case in the asset management area (pension funds and investment trusts).

We have urged the Japanese to remove all remaining barriers to accessing the pension fund market, and generally ensure that competition in the asset management area is based on actual performance and quality of product and service. The Administration intends to continue to engage the Japanese government in discussions aimed at increasing competition in the Japanese financial services market and opening up the market to United States firms. For the record, the Japanese Ministry of Finance has licensed four

investment Trust Management Companies to manage mutual funds in Japan.

Question 3

I understand that Japan over the past year has steadily rolled back liberalization of key financial markets in which United States firms are most competitive and profitable, including trading in futures and options tied to the Japanese equity markets. New regulatory restrictions imposed by Japan this month, as well as one year ago, strike directly at some of the most important and profitable operations of United States firms in Japan. Some contend that these measures are aimed primarily at protecting the large Japanese securities houses from United States competition.

Do you have any knowledge of this matter? If confirmed will you look into it and advise this Committee as to what you believe our Government should do about it?

Answer

In the area of equity derivatives trading, United States and other foreign firms have a strong competitive position in Japan. Over three years ago, when the Japanese stock market began its long decline, the Japanese stock exchanges began placing restrictions on derivatives trading. These restrictions were significantly tightened last year.

It is Treasury's view that Japanese restrictions on equity derivatives trading should be limited to those linked to legitimate prudential concerns. More recent proposals by the Tokyo Stock Exchange could severely restrict derivatives trading. We are in close contact with United States firms in Tokyo about this issue and have initiated consultations with the Japanese authorities.

Question 4

This committee fashioned and the Senate has passed a bill entitled the Fair Trade in Financial Services Act on several occasions. The legislation is designed to give Treasury negotiators new leverage to end discrimination against United States financial firms in certain markets such as Japan, Korea, etc. It would, in essence, move the United States from a policy of unconditional national treatment to a policy of reciprocal national treatment on these matters.

When Secretary Bentsen was asked about the legislation at his own confirmation hearing he said:

The touchstone of our trade policy, including international negotiations on financial services, is that we must demand reciprocity.

Do you agree with that? If so, will you work with this committee to get the Fair Trade in Financial Services bill enacted this year?

Answer

As Secretary Bentsen stated at his confirmation hearings, Treasury is extremely concerned that certain foreign countries take advantage of our open financial markets yet do not give U.S. financial firms a fair opportunity to compete. He noted that Treasury will be pleased to take a close look at the Fair Trade legislation and work with its supporters on an appropriate policy.

I stated in my own testimony that I am in full agreement with the Secretary on the question of Fair Trade in Financial Services. I look forward to supporting him in carrying out the policy of assuring that our firms are able to compete fairly in foreign financial markets.

Question 5

The Competitiveness Policy Council in its Second Report released before the Senate Banking Committee at a March 16 hearing, also stated that our country must get on a track of eliminating its current account deficit by the end of the century. Do you agree with that recommendation? If so, why? If not, why not?

Answer

We should seek to place the current account deficit on a downward path, but whether it should be eliminated by a certain date depends on how rapidly we can change the factors producing the deficit. The current account reflects a combination of short-term, cyclical effects and longer-term factors such as competitiveness and national saving and investment performance.

Clearly, we need to improve our national saving performance which is among the weakest in the industrial world. President Clinton's budget deficit reduction plan is essential if we are to achieve this goal. A declining current account deficit will be only one of the benefits.

Our competitiveness is strong, and we need to keep it that way. Investment in training and education for American workers will be crucial to retaining our competitiveness in world markets over the remainder of the decade and into the 21st century.

Currently, our current account deficit is rising, primarily reflecting the fact that the United States is in a cyclical recovery while Japan and Europe are stuck in recession. The problem is not the U.S. recovery, though that contributes to increased imports. The problem is slow United States export growth to the important European and Japanese markets. As I emphasized in my opening remarks, the Administration is determined to reinvigorate the macroeconomic coordination process among the G-7 industrial countries. We are working in the G-7 and other forums to secure action to stimulate recovery and sustained growth of demand in those economies.

Question 6

As part of a program to get rid of our current account deficit the Competitiveness Policy Council called on the Clinton Administration to develop a global growth strategy with our G-7 partners, especially Japan and Germany.

How much of our trade deficit with Japan do you think we can eliminate through a policy of macroeconomic coordination? What else must we do to eliminate our trade deficit with Japan?

Answer

As President Clinton indicated in his talks with Prime Minister Miyazawa on April 16, the Administration is particularly concerned about Japan's growing global current account and trade surpluses and deeply concerned about inadequate market access for American firms, products, and investors in Japan. He urged Japan to lead

the way to global economic growth and called the newly announced Japanese stimulus package a good first step, but said that it must be part of a continued and sustained effort. The President stated that macroeconomic action alone would not solve this problem. Japan's markets must be more open and less restrictive.

Question 7

Congress in the 1988 trade bill stated that the United States should seek a "more stable exchange rate for the dollar at a level consistent with a more appropriate and sustainable balance in the United States current account."

I note that in February Secretary Bentsen said he favored a higher yen. Do you think the yen needs to increase in value as part of the process of achieving a more sustainable balance of trade with Japan?

Answer

There have been some misconceptions about U.S. exchange rate policy. I want to underscore the Administration's belief that exchange rates should reflect economic fundamentals and attempts to artificially influence or manipulate exchange rates are inappropriate. Excessive volatility is counterproductive for growth. We are monitoring developments closely and stand ready to cooperate in exchanged markets with our G-7 partners as conditions may warrant.

Question 8

As part of your responsibilities at the Treasury you will oversee the implementation of the so called Exon-Florio Act, which provides the basis for the President to block foreign purchases of U.S. firms if such purchases endanger our national security. Congress has been very unhappy with the manner in which the Bush Administration implemented that Act. Last year I sponsored legislation that was enacted that calls for the President to complete a report for Congress analyzing foreign takeovers of U.S. companies engaged in the research, development, or production of critical technologies needed for industrial leadership. In my floor statement I asked that U.S. intelligence agencies be involved in completing that study.

If confirmed will you take a personal interest in this matter and examine such takeovers on a cumulative basis rather than just a case by case basis?

Answer

I will ensure that the Committee on Foreign Investment in the United States (CFIUS) carefully reviews each transaction and that decisions are taken on the merits of each case.

The fact that Exon-Florio provision does not limit the factors that CFIUS may take into account in national security reviews will help me in carrying out that obligation. The importance of technology to national security and the extent of foreign ownership of critical technologies are factors that clearly should come into play during CFIUS consideration of transactions. Last year's amendments to the Exon-Florio provision specifically added "technological leadership" as a factor that may be considered in reviewing transactions. We will of course implement the law fully.

Question 9

Our Government is now taking serious steps, long advocated by foreign governments, to address structural problems in the U.S. economy, such as high budget deficits and inadequate investment. That is why it is so appropriate for us to now try to rejuvenate international macroeconomic coordination efforts.

(a) Currently, our bilateral trade deficit with Japan is being aggravated by the weakness of the Japanese economy. I think it is in their interest, as well as ours, to do something about that, and I hope they will. With regard to fiscal policy, if you measure their budget deficit the way we do, including Social Security, they are running a substantial surplus. It has come down a bit over the past couple of years, but it is still very substantial. They are now talking about a new stimulus package. Recent press articles indicate that you have raised a number of questions with them about it. Are you satisfied that it is large enough? What should they be doing in your view?

(b) Michael Camdessus, Managing Director of the IMF, has called for faster and larger interest rate declines, especially in Germany. Do you agree with him?

Answer

The Japanese government has just announced a 13.2 trillion yen (\$116 billion) economic stimulus package to help boost growth of domestic demand. As Secretary Bentsen has stated, we view this package as a useful first step in a multi-year process aimed at helping Japan to reduce its external imbalances.

There is a general agreement among observers of the German economy that lower interest rates in Germany and in Europe would be helpful to economic recovery in Germany, the rest of Europe and the world economy. In fact, German interest rates have been declining. We are hopeful that this will continue and that evolving German economic conditions will permit some acceleration of the rate of decline.

Question 10

The *Financial Times* reported on March 23 that you are unsettling officials at the Japanese Ministry of Finance because of the long list of detailed questions you have sent them about the inner workings of their economic policy.

I expect this is part of helping us understand why they are not stimulating their economy more as part of the G-7 macroeconomic policy coordination process. Is that correct? If so, what do you think the Japanese should be doing that they are not doing?

Answer

Secretary Bentsen indicated in his confirmation testimony that he is committed to re-invigorating the G-7 process. To that end, we need to understand better the operation of one another's economies and are examining ways to improve our economic analysis capabilities in the G-7 process. We have exchanged views with the Japanese and other G-7 members on these matters. The Japanese government has cut interest rates considerably and has just announced a 13.2 trillion yen (\$116 billion) fiscal stimulus package. We are very interested in these developments and will continue to discuss the impact of these policy actions with Japanese officials.

Question 11

On March 19 *The Washington Post* carried an article entitled "Summers Sees G-7 Nations Aid to Russia Soon." That article notes that Secretary of State Warren Christopher believes large grants from the IMF and World Bank are needed to help Russia and that both institutions will need to relax their criteria for lending to that country. Do you agree? If so, will this impact adversely on the financial solvency of those institutions?

Answer

IMF and IBRD financial assistance in support of adjustment efforts is a key element of the West's strategy for helping the Russians help themselves. For that money to be well-spent, however, it must be linked to progress on reforms. At the same time, it may be entirely appropriate to make adjustments to certain lending criteria to accommodate some of the unique economic circumstances and challenges facing Russia. What is important is that these loans provide continued support to Russian efforts to build a stable, growing, market-oriented economy.

Assistance to Russia from the IMF or World Bank should not affect the financial solvency of either institution. Indeed, the stabilization measures and market reforms supported by the IMF and IBRD should go far in improving the creditworthiness of Russia and its ability to service debt obligations to official, multilateral, and private creditors.

Question 12

The U.S. Government currently has frozen payments from Iraq and Iraq-based companies to U.S. companies for work or goods provided prior to the invasion of Kuwait by Saddam Hussein.

One of these companies affected by this policy is Berger and Company, based in Saginaw, Michigan. Berger and Company has been waiting more than two years to recover almost \$2 million from an account in the Bank of New York.

(a) I asked you about this matter in questions I submitted to you for the record after your appearance before the Finance Committee and the answer I got back was not different from an answer I previously got from the Office of Foreign Assets Control. Would you please look into this matter and see whether Japan, Spain and other countries follow the credit law that OFAC relies on in administering the Iraqi asset freeze.

(b) If confirmed as Under Secretary will you meet with representatives of the American companies to see if some way can't be found to allow them to receive payments for items shipped to Iraq prior to the August 1990 invasion of Kuwait?

Answer

(a) I understand that this issue is a subject of litigation in several Federal district courts and in the United States Court of Appeals for the District of Columbia Circuit. Berger and Company is a litigant in one of those cases.

This issue stems from the Iraqi assets freeze which is enforced by the Enforcement Division, not the International Affairs Division of Treasury, and thus is outside the jurisdiction of my office. I have asked Ron Noble, the Assistant Secretary for Enforcement, to undertake a thorough review of this matter, including whether Japan,

Spain and other countries follow the credit law that OFAC relies on in administering the Iraqi asset freeze.

(b) Because this matter is under the jurisdiction of Treasury's Assistant Secretary for Enforcement and because it is currently the subject of pending litigation, it would not be appropriate for me to meet with litigants such as Berger and Company.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR GRAHAM FROM LAWRENCE SUMMERS

Problem:

The Foreign Bank Supervision Enhancement Act, (Title II of the Federal Deposit Insurance Corporation Improvement Act of 1991) was enacted on December 19, 1991. The Act required foreign bank application approvals to be handled by the Federal Reserve System. As of August 10, 1992 a total of 25 applications by foreign banks to establish a branch, agency, representative office or commercial lending company or to acquire a commercial bank had been received in the Federal Reserve System (i.e. at the Board and the Reserve Banks).

Since December 19, 1991, 10 of these applications have been formally accepted for the Board for processing. The remaining 15 applications are under active review by the Reserve Banks, with several close to being accepted for Board processing.

As of March 1, 1993, only three of the applications had been finally approved by the Board.

In general, the application process has taken at least two years to get Board approval with the principle hold-up being the name check process for principle shareholders and officers and the question of whether countries have a "consolidated home country supervision" program.

Question 1

The Treasury is charged with the responsibility for the Enterprise of the America's Act and the Caribbean Basin Initiative. Do you see the delay in approving these foreign bank applications as having any negative trade financing impact for U.S. companies trying to do business with Latin American and Caribbean Basin countries?

Answer

We have heard of no firms having problems obtaining financing for trade with Latin America as a result of delays in approving bank applications. Many United States banks are represented in Latin America and many Latin American banks already have offices in the United States. Trade flows are large between the two regions.

Question 2

Again, the delay for the approval of these applications is due primarily because the Federal Reserve sends the application names to 10-13 other agencies for clearance as well as getting other countries to put in place a "consolidated home country supervision" regulatory program.

Has the issue of "consolidated home country supervision" been brought to the Treasury's attention yet in the context of financial institution trade agreements or discussions with Finance Ministers

from other countries? If so please provide a brief discussion of the context of the discussion.

Answer

The issue of consolidated supervision has been raised a number of times in negotiations with Treasury. Treasury has conducted bilateral Uruguay Round financial services negotiations with approximately 40 countries. Several of those countries raised the issue of consolidated supervision during the course of the discussions. It was also brought up during NAFTA financial services negotiations. Finally, the head of the U.S. delegation to the OECD's Committee on Financial Markets (CFM) discussed the issue at the February 1993 meeting of the committee at the request of the OECD secretariat.

In these negotiations and discussions, foreign countries have been interested in both the intent of Congress in passing the "consolidated supervision" standard and the regulators' approach to implementation. Concerns have been expressed by foreign negotiators about the consolidated supervision standard and delays in the application process.

Question 3

Can the Treasury help in speeding up the application process which is currently taking about two years?

Answer

The Treasury welcomes the participation of foreign banks in the United States. Treasury has no role in the approval process except when a foreign bank seeks a federal charter for its proposed U.S. office. This requires parallel approval from the Office of the Comptroller of the Currency (OCC), a bureau of the U.S. Treasury. Most foreign banks seek state licenses for their proposed offices, rather than Federal charters, so the OCC may not process many applications under the Foreign Bank Supervision Enforcement Act procedures. Nonetheless, the OCC works closely with the Board to coordinate the application processes and the Board encourages foreign banks to submit their OCC applications in support of their applications to the Board.

The Board reports two chief causes of delay. First is the time necessary to complete the name checks requested by the Board from other government agencies on the applicant foreign bank, certain shareholders, and key personnel. Second is the time necessary to obtain information requested by the Board from both the foreign bank applicant and from supervisory authorities in the foreign bank's home country (in some cases, foreign regulators have not responded). The Board is sensitive to the delays. It recently announced several procedural changes it is making to expedite the process.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SARBANES FROM LAWRENCE SUMMERS

REPORT ON EXCHANGE RATES & INTERNATIONAL ECONOMIC POLICY

Question 1

Title III of the Omnibus Trade and Competitiveness Act of 1988 on exchange rates and international economic policy coordination

requires the Secretary of the Treasury to submit a written report on October 15 of each year on international economic policy, including exchange rate policy, and a written update of developments six months after the initial report. In addition, the statute requires the Secretary to appear, if requested, before the Committee to provide testimony on the reports.

That would mean that the next update of the report is due on April 15, less than three weeks from now.

Do you anticipate that the Report will be submitted on time?

Answer

I understand my staff has contacted Committee staff on this issue to discuss a delay of the report's release date until mid-May. I have been told that this proposal is agreeable to the Committee.

Question 2

Title III of the Act also requires the Treasury Secretary to analyze on an annual basis the exchange rate policies of foreign countries and consider whether countries manipulate the rate of exchange of their currency and the U.S. dollar for purpose of gaining unfair competitive advantage in international trade. If the Treasury Secretary considers that manipulation is occurring, he is required to initiate negotiations with such foreign countries on an expedited basis for the purpose of ensuring that such countries regularly and promptly adjust the rate of exchange between their currencies and the U.S. dollar to permit effective balance of payment adjustments and to eliminate the unfair advantage. The Treasury Secretary is required report on the results of the negotiations in the report to Congress.

The past two reports have cited the People's Republic of China and Taiwan for currency manipulation, and I believe discussions have been taking place between the United States and those countries over the issue. Are you familiar with this issue and will it be addressed in the April 15 report?

Answer

In the time since Treasury cited China and Taiwan for currency manipulation, Treasury Department officials have been conducting negotiations with officials representing the People's Bank of China (PRC) and the Central Bank of China (Taiwan). These issues will be addressed in detail in the forthcoming report.

TIED AID CREDITS

Last year the Congress reauthorized the charter of the Export-Import Bank for 5 years, and also reauthorized the Tied Aid Credit War Chest of the Eximbank for 3 years. A particular point of concern in the legislation was U.S. policy on the use of the War Chest in regard to the tied aid credit agreement completed last year among the member countries of the OECD—Organization for Economic Cooperation and Development.

The previous Administration adopted a policy of utilizing the Tied Aid Credit War Chest only in cases when a foreign government included a grandfather provision under which countries could utilize for a period of time tied aid credits under the old rules, yet the U.S. would not respond because technically the foreign coun-

tries were complying with the tied aid credit agreement. In addition, the Committee believed that the Eximbank should have the flexibility to use the Tied Aid Credit War Chest even in cases in which a foreign government did not violate the agreement if the export deal in question was of strategic economic interest to the U.S.

As a result, the Congress amended Section 15 of the charter of the Export-Import Bank last year to authorize the Eximbank to match tied aid and untied aid credits extended by other governments "in cases in which the Bank determines that United States trade or economic interests justify the matching of tied aid credits extended in compliance with the Arrangement (tied aid credit agreement), including grandfathered cases.

Question 1

Are you familiar with the statutory change made in the charter last year in regard to the use of tied aid credits? Are you able to assure the Committee that the change made in the charter will be reflected in Administration policy on the use of the Tied Aid Credit War Chest?

Answer

The Administration will implement the provisions inserted last year in the Eximbank charter renewal legislation authorizing the use of the Tied Aid Credit Fund to match other countries' tied aid credit offers (i) that are in compliance with the OECD Export Credit Arrangement, including grandfathered cases, and (ii) in other cases where Eximbank determines that U.S. trade or economic interests justify its use.

We believe that this authority should be utilized selectively. Eximbank does not have the resources to match all foreign tied aid offers that are in conformity with the OECD Arrangement. The focus of War Chest use should be on monitoring the new tied aid agreement being implemented in the OECD. Effective implementation of this agreement is the best way to serve the interests of U.S. exporters, given the reality of other countries' large aid programs. Our exporters will increasingly be able to concentrate their efforts on projects where, as a result of the operation of the agreement, they are unlikely to face competition financed by tied aid or partially untied aid.

At the same time, we want to conserve resources that can be used for Eximbank's regular loan, guarantee and insurance programs. Eximbank's resources are leveraged much more heavily when used in these regular programs than when used in tied aid credits. This fact reinforces the view that use of the War Chest for matching should be selective.

EXON-FLORIO

Title V of the Omnibus Trade and Competitiveness Act of 1988 contains the so-called Exon-Florio amendment to the Defense Production Act, which falls under the jurisdiction of the Banking Committee. The Exon-Florio provision authorizes the President to suspend or prohibit any acquisition, merger, or takeover of a U.S. company by a foreign company if he determines that it threatens to impair the national security of the United States.

Last year the Subcommittee on International Finance of the Banking Committee held an oversight hearing on the implementation of the Exon-Florio provision since its enactment in 1988. During that time, over 700 notices of proposed or pending mergers have been filed with the President. Of these, 13 have been subjected to an extended 45-day review. Of the 13, 4 cases were withdrawn and 9 went to the President for a final determination. Of these 9, 1 was blocked by the President.

Thus, in the 4 years since the enactment of the provision, only 9 cases have been referred to the President for decision, and action was taken by the President in only 1 case. The evidence appears to indicate that implementation of this provision by the previous Administration was not vigorous.

The Interagency Committee on Foreign Investment in the United States (CFIUS) charged with implementation of the Exon-Florio provision is chaired by the Secretary of the Treasury and as I understand, it falls under the responsibilities of the Under Secretary for International Affairs.

Question 1

Could you give us your views of the Exon-Florio provision and how you envision it being implemented?

Answer

I see the CFIUS function as protecting the national security with respect to foreign direct investment in the United States. I believe that can be accomplished without discouraging investment here.

Although the Exon-Florio provision, as amended, stipulates five factors that CFIUS may take into account in considering foreign acquisitions, CFIUS is not bound to restrict itself to those factors. And I can assure that CFIUS deliberations will be as far reaching as necessary to determine the national security effects of transactions. After review and investigation, as warranted, CFIUS will make appropriate recommendations to the President.

Question 2

Last year Senator Riegle and I cosponsored an amendment to the Exon-Florio provision which was contained in the defense authorization bill which requires that an extended investigation and determination be made by the President in every case in which a foreign government-controlled company seeks to acquire a U.S. firm. The amendment was prompted by the case last year of a French government-controlled company seeking to acquire a U.S. defense contractor. As the GAO pointed out in testimony before the Banking Committee last year:

The U.S. Government does not own its own defense contractors. Thus, it is appropriate to ask whether it would be a good idea to have one of our prime defense contractors owned by a foreign government-controlled company.

In your view, do acquisitions of U.S. firms by foreign government-controlled companies raise particular concerns?

Answer

Yes. While government control may not necessarily be determinative, government-controlled companies may respond to the national interests of a foreign government and may not operate in

strict accordance with market forces. For such reasons, government ownership is a factor CFIUS considers seriously in reviewing acquisitions with national security implications. We will implement the Exon-Florio provision fully. When CFIUS reviews a proposed acquisition by a government-owned company that could affect national security, CFIUS will undertake an investigation and report to Congress once the President has made a decision whether to block the transaction.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR CAMPBELL FROM LAWRENCE SUMMERS

Question

For nearly three years, several companies which had done business with Iraq prior to Iraq's invasion of Kuwait have been unable to receive payment for their goods. The problem is not with Iraq, but with the Treasury Department, which froze all funds from Iraq earmarked for American companies. The only recourse for American companies is to obtain a "license" from the Treasury Department, a process which seems arbitrary and benefits banks at the expense of American businesses. The U.S. Congress last year questioned the Treasury Department's rationale in denying payments from blocked accounts, and asked that Treasury quickly resolve this issue in favor of American business.

Mr. Summers, do you have a position on this issue? If you are not yet familiar with the issue, will you commit to a rapid review of Treasury Department policies regarding payments to American businesses from blocked accounts?

Answer

The agency within the Treasury Department responsible for blocking foreign accounts is the Office of Foreign Assets Control (OFAC). The Director of OFAC reports to the Assistant Secretary for Enforcement, and is outside my area of responsibility. I have asked Ron Noble, the Assistant Secretary for Enforcement, to undertake a thorough review of this matter.

SAM NUNN GEORGIA CHAIRMAN

J. JAMES ERON NEBRASKA
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 JEFF BINGAMAN NEW MEXICO
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 DIRK KEMPTORNE IOWA
 LAUCH FAIRCLOTH NORTH CAROLINA

ARNOLD L. FUNARO STAFF DIRECTOR
 ANTHONY J. PRINCIPAL STAFF DIRECTOR FOR THE MINORITY

United States Senate

COMMITTEE ON ARMED SERVICES
 WASHINGTON, DC 20510-6050

March 26, 1993

The Honorable Don Riegle
 Chairman
 Senate Committee on Banking, Housing and Urban Affairs
 United States Senate
 Washington, D.C. 20510

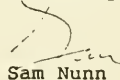
Dear Mr. Chairman:

I regret that I am unable to be with you today for the confirmation hearing of Mr. Terrance Duvernay of the State of Georgia to be Deputy Secretary of the Department of Housing and Urban Development. I did, however, want you and the other members of the Committee to know of my strong support for Terry.

Terry has a strong track record in housing finance and in public housing issues. He is currently the Executive Director of the Georgia Housing and Finance Authority which oversees a variety of public and private housing programs ranging from Georgia Housing Trust Fund for the Homeless to the Georgia Home Buyer Program. At the same time, he has also served as Georgia Governor Zell Miller's chief advisor on urban affairs. Finally, Mr. Duvernay has worked extensively with Governor Miller and the General Assembly of Georgia to develop a comprehensive economic development program with an emphasis on creating public-private initiatives to bring sustained economic growth to Georgia's most disadvantaged communities.

Given his extensive background in housing, urban and economic development issues, I believe Terry will make an outstanding Deputy Secretary for the Department of Housing and Urban Development. I hope you and the other Committee members will give him your favorable consideration.

Sincerely,



Sam Nunn

National
Council of
State
Housing
Agencies



March 25, 1993

The Honorable Donald W. Riegle, Jr.
Chairman, Senate Committee on Banking,
Housing, and Urban Affairs
SD-105 Dirksen Senate Office Building
Washington, D.C. 20510

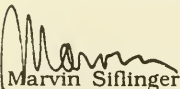
Dear Senator Riegle:

At the risk of carrying coals to Newcastle, we are writing on behalf of the housing agencies of our nation's fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands to support enthusiastically the nomination of Terry Duvernay to become Deputy Secretary of the Department of Housing and Urban Development. Probably no other nomination of any housing professional in the history of the Department has been met by such widespread and unqualified support from all parts of the housing and urban development community. And no person in America has credentials and abilities which exceed Terry's in meriting that support.

We need make no introduction of Terry to you, of course, Mr. Chairman, because he distinguished himself in your state during his long tenure as Director of the Michigan State Housing Development Authority. And Terry's record of distinction - which includes his presidency of the National Council of State Housing Agencies itself - led President Clinton to approve him among the very first of his subcabinet appointments.

Terry's confirmation, with that of Secretary Cisneros, will be greeted by housing professionals throughout the country - especially those most concerned with our fellow citizens who need a helping hand - as the most welcome news in federal housing policy development and administration in a very, very long time.

We appreciate this opportunity to express our support for Terry and urge his prompt confirmation.


Marvin Siflinger
President


John T. McEvoy
Executive Director

NATIONAL ASSOCIATION OF

HOUSING AND REDEVELOPMENT OFFICIALS



MICHIGAN CHAPTER

March 8, 1993

The Honorable Donald W. Riegle, Jr.
 Chairman, Senate Banking Committee
 SD 105 Dirksen Senate Office Building
 Washington, D.C. 20510-2201

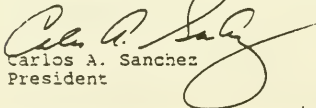
Dear Mr. Chairman:

On behalf of the Michigan Chapter of the National Association of Housing and Redevelopment Officials (NAHRO), we would like to express our support for the confirmation of the Under Secretary designate of the U.S. Department of Housing and Urban Development, Terrence R. Duvernay.

During his tenure as Executive Director of the Michigan State Housing Development Authority (MSHDA), we were very pleased with the positive impact he had addressing the affordable housing needs of low and moderate income families, elderly and his creativity in addressing the homeless population in Michigan. He was very instrumental in developing private/public relationships to maximize our abilities in producing additional low cost housing. Throughout the State of Michigan you will find many creative and innovative developments which were initiated by the Under Secretary designate, Terrence R. Duvernay.

Michigan has benefited from his leadership and now we look forward for his confirmation. Our low income citizens will be the true benefactors of his leadership.

Sincerely,


 Carlos A. Sanchez
 President

CAS/bc


Michigan State Housing Development Authority

James L. Logue III, Executive Director

Plaza One, Fourth Floor

 401 South Washington Square, P.O. Box 30044
 Lansing, Michigan 48909

 State of Michigan
 John Engler, Governor

 Department of Commerce
 Arthur E. Ellis, Director

March 12, 1993

 The Honorable Donald W. Riegle, Jr.
 United States Senate
 105 Dirksen Senate Office Building
 Washington, D.C. 20510-2202

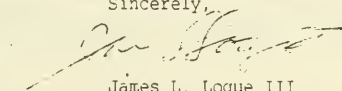
Dear Senator Riegle:

On behalf of the Board and the employees of the Michigan State Housing Development Authority (MSHDA), I am writing in support of the nomination of Terrence R. Duvernay as Deputy Secretary of the U. S. Department of Housing and Urban Development.

Terry Duvernay has an outstanding record as an innovator in housing and community development. He has served in many leadership positions in local, state and federal government across the country and wherever he has been, he has made a difference. Terry exemplifies the true spirit of public service and has dedicated himself to making life better for those with the greatest need. There is no sacrifice he would not make on behalf of others. Those of us who have worked with Terry consider him to be one of the outstanding leaders in affordable housing today. Considerable talent, vision and dedication will be needed at HUD, and we can think of no better person to meet the challenges.

It is without hesitation or reservation that MSHDA urges the Committee to approve his confirmation.

Sincerely,



James L. Logue III
 Executive Director

JLL:ln





National Association of Home Builders

1201 15th Street, N.W., Washington, D.C. 20005-2800
(202) 822-0200 (800) 368-5242 Fax (202) 822-0374

J. Roger Glunt
1993 President

March 24, 1993

The Honorable Donald W. Riegle, Jr., Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D. C. 20515

Dear Chairman Riegle:

On behalf of the more than 160,000 member firms of the National Association of Home Builders (NAHB), I offer our strong support for the nomination of Terrence R. Duvernay for the position of Deputy Secretary, U. S. Department of Housing and Urban Development.

Mr. Duvernay, is highly deserving of the respect he has attained throughout the housing community. His fifteen year record of accomplishments in the area of affordable and accessible housing and housing finance evidence the fact that he is a truly skilled housing professional, and a highly capable team player. His appointment would be a valuable asset to the Administration.

We believe the Committee should confirm Mr. Duvernay, without hesitation, as eminently qualified and exceedingly capable for the position of HUD Deputy Secretary.

Best regards,

A handwritten signature in dark ink, reading "J. Roger Glunt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. Roger Glunt

"Housing Makes a Difference"



THE UNITED STATES CONFERENCE OF MAYORS

1630 EYE STREET, NORTHWEST
WASHINGTON, D.C. 20006
TELEPHONE (202) 293-7330
FAX (202) 293-3352

March 25, 1993

The Honorable Donald Riegle
Chairman
The United States Senate
Senate Banking, Housing
and Urban Affairs Committee
5304 Dirksen Senate Office Building
Washington, DC 20006

Dear Senator Riegle:

I am writing this letter of endorsement for Terrance R. Duvernay who has been nominated by President Clinton to be Deputy Secretary of the U.S. Department of Housing and Urban Development.

On behalf of the U.S. Conference of Mayors, and the other groups listed below, all of whom represent elected or appointed local officials, we wanted you to be aware of our united and enthusiastic support for Mr. Duvernay.

For three decades, those of us who have worked closely with him in support of the broad national goals of providing low and moderate housing, know of Terry Duvernay's passionate and professional commitment to making the programs of the federal government accessible to all people. Mr. Duvernay is a seasoned, experienced community development practitioner and innovator who understands the problems that confront state and local governments.

Mr. Duvernay worked closely with all of our associations when he was Chief of Staff at the Department of Housing and Urban Development during the late 1970's, when he was appointed by then HUD Secretary Moon Landrieu.

We know you are aware of his talents from your own State of Michigan, when he served as Executive Director of the Michigan State Housing Development Authority (MSHDA) and as a Special Advisor to Governor Jim Blanchard.

On every level, local, state and federal, Terry has been in public service, making programs work for people. He has the integrity, capacity, skills and commitment which will lend themselves well at the Department of Housing and Urban Development which, as you and members of your committee are aware, needs the talent necessary to affect those changes needed to make HUD, once again, a lead agency for urban affairs.



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Page Two
March 25, 1993

We all look forward to working with you and your committee in the coming months, to restore the programs and vitality of HUD to help all of the American people, and the officials which our organizations serve.

We believe Terry Duvernay is Integral to these goals, and those of the Clinton Administration, and look forward to working with him and Secretary Cisneros to improve the quality of life in urban America.

Sincerely

J. Thomas Cochran
Executive Director
The U.S. Conference of Mayors

Donald J. Borut
Executive Director
The National League of Cities

Larry E. Naake
Executive Director
The National Association
of Counties

Reginald N. Todd
Chief Executive Officer
The National Community Development
Association

John C. Murphy
Executive Director
The Association of Local
Housing Finance Agencies



THE KING CENTER

March 12, 1993

CORETTA SCOTT KING
Founding President and
Chief Executive Officer

JESSE HILL, JR.
Chair, Board of Directors

CHRISTINE KING FARRIS
Vice Chair, Treasurer

LAWRENCE P. DOSS
Vice Chair

MARVIN GOLDSTEIN
Vice Chair

JOHN W. COX
Secretary

RONALD L. QUINCY
Executive Director and
Chief Operating Officer

Dear Senator Riegle:

I am writing to you in support of the Senate confirmation of Mr. Terrance Duvernay for Deputy Secretary of the Department of Housing and Urban Development.

Prior to my assuming the position of Executive Director of The King Center, I had the privilege of working with Mr. Duvernay in several capacities during my tenure as Special Assistant to the Governor of Michigan, and as Director of the Michigan Department of Civil Rights. At that time, Mr. Duvernay served as Director of the Michigan State Housing Authority.

He was viewed by his peers in the State Cabinet as being an exceptional, consummate professional. He consistently demonstrated a willingness to accept input from his colleagues, and his outreach to the community and constituent organizations served as a model for other administrators.

During my tenure at The King Center, Mr. Duvernay has served on the Advisory Committee of our Center for Community Development -- the Center's programmatic entity that provides technical assistance for community redevelopment and revitalization. His vision on issues related to community and economic development has been an invaluable asset to the work of the Committee.

Mr. Duvernay is a gifted administrator who possesses outstanding integrity, and has a high regard for ethics. He is sensitive to the concerns of his staff and constituents, and works exceptionally well with legislative

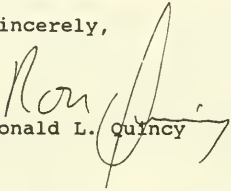
MR. TERRANCE DUVERNAY
Page Two

bodies. His traditional practice of good government and effective government service has earned him a solid professional reputation, as well as national stature in the field of housing and urban development.

It is my hope that the Committee will offer Mr. Duvernay a unanimous confirmation for this most responsible position, so that the nation may benefit from the exemplary level of public service that has become his hallmark.

Kind personal regards.

Sincerely,


Ronald L. Quincy

The Honorable Donald W. Riegle, Jr.
Chair, U.S. Senate Committee on Banking
and Urban Affairs
Room 105 - Building SDOB
Washington, D.C. 20510

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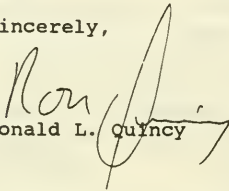
MR. TERRANCE DUVERNAY
Page Two

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Sincerely,


Ronald L. Quincy

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Chair, U.S. Senate Committee on Banking
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Room 105 - Building SDOB
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